

**EFFECT OF BUSINESS SOCIAL RESPONSIBILITY (BSR) ON
PERFORMANCE OF SMES IN NIGERIA**

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**EFFECT OF BUSINESS SOCIAL RESPONSIBILITY (BSR) ON
PERFORMANCE OF SMES IN NIGERIA**

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**Thesis Submitted to
Othman Yeop Abdullah Graduate School of Business,
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Abstract

The objective of this study is to examine the effects of Business Social Responsibilities (BSR) on performance of SMEs in Nigeria. Additionally, this study also examines the mediation effect of organizational culture on the relationship between BSR and performance. BSR constructs are commitment, trust, perceived ethics, organizational culture and performance. A conceptual framework was developed based on extant literatures and the develop model is based on these BSR constructs Data was collected through hand delivery method by sending questionnaires to 800 SMEs managers/owners. This study used purposive sampling for sample selection. Partial Least Squares (PLS) algorithm and bootstrap techniques were used to test the study's hypotheses. The results provide support for most of the hypothesized relationships for the study. Specifically, commitment, trust, perceived ethics, and organizational culture are significantly and positively related to performance. On the other hand, commitment is significantly and negatively related to performance. Additionally, commitment, trust, and perceived ethics are significantly and positively related to organizational culture. Furthermore, the results of mediation indicate that all the three hypotheses are significant. Therefore, significant positive effects of commitment, trust, and perceived ethics suggest that the variables are important in relation to performance. The outcome of this study provides significant contributions to both managers and researchers for further understanding on the effect of BSR and organizational culture on performance. As such, organizations should be encouraged to exhibit these social responsibilities for better performance. Improved performance of organizations can advance the social responsibility practices in organizations. Contributions, limitations, implications and necessary suggestions on the new areas of research are recommended and discussed in this research.

Keywords: commitment, trust, perceived ethics, organizational culture, performance, SMEs

Abstrak

Objektif kajian ini adalah untuk mengkaji kesan Tanggungjawab Sosial Perniagaan (*Business Social Responsibility - BSR*) terhadap prestasi perniagaan kecil dan sederhana di Nigeria. Selain itu, kajian ini turut mengkaji kesan pengantaraan budaya organisasi terhadap BSR dan prestasi. Konstruk BSR adalah komitmen, kepercayaan, etika, budaya organisasi dan prestasi. Rangka kerja konsep telah dibangunkan berdasarkan literatur yang sedia ada dan model yang dibina terdiri dari konstruk-konstruk BSR ini. Data dikumpulkan melalui kaedah serahan tangan dengan menghantar soal selidik kepada 800 pemilik/pengurus industri skala sederhana dan kecil. Kajian ini menggunakan persampelan *purposive* untuk pemilihan sampel. Teknik algoritma *Partial Least Squares* (PLS) dan *bootstrap* digunakan untuk menguji hipotesis kajian. Keputusan menyokong kebanyakan hubungan hipotesis kajian ini. Secara khusus, komitmen, kepercayaan, etika dan budaya organisasi mempunyai hubungan signifikan dan positif dengan prestasi. Sebaliknya, komitmen mempunyai hubungan signifikan dan negatif dengan prestasi. Selain itu, komitmen, kepercayaan dan etika mempunyai hubungan yang signifikan dan positif dengan budaya organisasi. Tambahan pula, keputusan pengantaraan menunjukkan bahawa ketiga-tiga hipotesis adalah penting. Oleh itu, kesan komitmen, kepercayaan dan etika yang positif dan signifikan mencadangkan bahawa pembolehubah adalah penting berhubung dengan prestasi. Hasil kajian ini memberi sumbangan yang besar kepada kedua-dua pihak iaitu pengurus dan penyelidik untuk memahami dengan lebih lanjut tentang kesan BSR dan budaya organisasi terhadap prestasi. Oleh itu, organisasi perlu digalakkan untuk mempamerkan tanggungjawab sosial untuk prestasi yang lebih baik. Mempertingkatkan prestasi organisasi boleh memajukan amalan tanggungjawab sosial dalam organisasi. Sumbangan, batasan, implikasi dan cadangan untuk penyelidikan baru turut dicadang dan dibincangkan dalam kajian ini.

Kata kunci: komitmen, kepercayaan, etika, budaya organisasi, prestasi, PKS

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List of Abbreviations

AMOS	Analysis of Moment Structure
AVE	Average Variance Extracted
BSR	Business Social Responsibility
CAC	Corporate Affairs Commission
CFA	Confirmatory
CMV	Common Method Variance
CSR	Corporate Social Responsibility
EFA	Explanatory Factor Analysis
EU	European Union
GDP	Gross Domestic Product
NEEDS	National Economic Empowerment Development Strategies
NGO	Non-Governmental Organization
NNCI	Nigeria National Council of Nigeria
NPC	National Planning Commission
PCA	Principal Component Analysis
PLS	Partial Least Square
SD	Sustainable Development
SEM	Structural Equation Method
SMEs	Small and Medium Enterprises
SMIs	Small and Medium Industries
SPSS	Statistical Package for Social Sciences
SSB	Small Scale Business
SSE	Small Scale Enterprises
SSI	Small Scale Industries
UNIDO	United Nation Industrial and Development Organization
UUM	University Utara Malaysia
US	United State
VAF	Variance Accounted For
VIF	Variance Inflation Factor
WBCSD	World Business Council for Sustainable Development

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The persistent influence of larger organizations in the community makes the issue of social responsibility very significant to management. No social organization will continue activities that fail to provide for the needs of the public. The society's belief is that there is mutual inter-relationship existing between business operation and society (Caroll & Shabana, 2010; Nwachukwu, 2002).

For many decades, maximization of profit has been viewed as the sole function of firms by both business theory and practice (Benedik & Davor, 2010; David, 2012; Fiori, Donato & Izzo, 2007; Karen, Taylor, Hill & Yalcinkaya, 2011). Environmental adjustment, disappearance of biological species and the worldwide economic crisis now call for more social responsibility (Benedik & Davor, 2010; Caroll & Shabana, 2010; David, 2012; Gorondutse & Hilman, 2013a). New conditions of conducting business require a conceptual shift from the stand point of neo-liberal profit orientation toward a holistic, sense of balance of economic, social and environmental corporate responsibility (Benedik, & Davor, 2010; David, 2012; Fiori *et al.*, 2007).

However, the practice of Business Social Responsibility (BSR) in Nigeria is very confusing as there are no clear policies regarding BSR (Ite, 2004; Phillips, 2006; Ojo, 2007). Besides, the business system in emerging countries is quite different from business systems in most of the developed countries. Therefore, examination of the association between social responsibility and organizational performance in emerging nations particularly in Nigeria is necessary (Adegbite & Chizu, 2011; Aguilera, Ruth, Williams & Ganapathi, 2007). Firms in Nigeria may behave unethically due to pressure to increase profits and sustain competition. Although the association between social responsibility and firm performance has been widely argued, focus has been mostly on multinational companies (Adegbite & Chizu, 2011; Amaeshi, Adi, Ogbechi & Amao, 2006; Efiang, Usang, Inyang & Efiang, 2013; Inyang, 2013; Opara, 2012).

In addition, Small and Medium Enterprises (SMEs) in Nigeria dominate economic activities in industrial sectors. Despite the importance and peculiarity of SMEs in Nigeria, several factors have been attributed to their failures, and among these factors is the inability to practice social behaviors (Ogunleye, 2004). Inability to practice such behaviors might cause production stoppage as reported by the media. These have led to so many calls that business organizations should give back to the society in which they operate because their activities have negative effects on societies in the forms of pollution, resources depletion, waste, poor products, quality and safety records and the rights of workers. For example, a recent report by the British Broadcasting Corporation (BBC) on 31st January, 2013, said that

International Court of Justices, made a verdict that the Shell Company (a multinational oil company in Nigeria) has to compensate the peoples of Niger Delta in Nigeria for the damages to their lands.

Furthermore, the Daily Trust, one of the leading newspapers in Nigeria, on 24th September, 2011, reported that businesses should recognize the significance of social responsibility particularly in SMEs. Being the most common and interconnected business with the community, such relations may likely affect them by both positively and negatively.

Consequently, previous researchers have pointed out the need for more research into why ethics and social responsibility must be examined particularly in SMEs. This is because existing research on ethical and social responsibility shows a wide gap between larger businesses and smaller firms. To date, previous studies on ethics and social responsibility have been largely focused on larger firms (Lee, 2008). Smaller businesses has well-built close interaction with the surrounding society (Gibb, 2005). Therefore, the conduct of ethics and socially responsible business is a significant issue to create satisfying business-customer relationships (Gibb, 2005). As mentioned above, previous studies have been more concerned with ethics and social responsibility in developing nations, and in industrial economics (Asad, Ahmad & Ali, 2011; Egri & Ralston, 2008; Fiori, Dinato & Izzo, 2007; Gorondutse & Hilman, 2013a; Mathuri & Gilbert, 2011 Rettab, Brik & Mellahi, 2009).

1.1.1 Corporate Social Responsibility CSR/ Business Social Responsibility BSR

Corporate Social Responsibility (CSR) has been regularly seen as responsible acts of public and private sectors toward society and environments (David, 2012). CSR is also known as Corporate Principles, Corporate Nationality, BSR, Business Ethics, Sustainable Performance (David, 2012; Lee, 2008; Matten & Moon, 2008). All these are also known as ethical principles or views where unit be it a business or person, has the responsibility to do something in order to help the community as a whole (Lee, 2008; Matten & Moon, 2008).

Despite increasing body of literatures on CSR, no one meaning of CSR has been unanimously accepted (Matten & Moon, 2008; Torugsa, Donohue, & Hecker, 2012). This might be because CSR is a sunshade term overlapping with some, and being identical with other concepts of business–society relationships (Matten & Moon, 2008; Torugsa *et al.*, 2012). In fact, many scholars are of the view that BSR and CSR are identical, exchangeable and interchangeable (Beneke, Wanke, Pelteret, Tladi & Gordon, 2012; Dewan, 2009; Lee, 2008; Matten & Moon, 2008; Perrini, 2006). However, in this study, the researcher will use BSR instead of other similar terminology.

BSR activities have received significant interest of scholars and practitioners. This development has resulted in a number of considerable findings, as well as the conviction to facilitate BSR's practices (Benedik & Davor, 2010; Carroll & Shabana,

2010; Sen & Bhattacharya, 2001). This means that, inability to practice social responsibility may likely damage stakeholder relationships (Argenti & Haley, 2006; Benedik & Davor, 2010; Vishnubhai, 2012). Additionally, public perception has also increased on BSR, for example, in a recent assessment conducted by the Boston College Center and Reputation Institute among American consumers during January-February, (2010) it was revealed that American consumers view their firms as being more concerned now with social behavior than previous years (Boston College Center and Reputation Institute, 2010).

BSR ideas have become gradually more common as organizations try to win clients and reduced the concern of stakeholders (David, 2012; Inyang, 2013; Matten & Moon, 2008). As their actions are global in nature, researches in various areas of business have begun to pay more attention to ethics and social responsibility and its effect on diverse managerial stakeholders (Balmer, 1999; Matten & Moon, 2008). Moreover, with globalized economy, social responsibility has also become global concern as evidenced by the controversy concerning the Shell Company's human rights practices in Nigeria and Nike suppliers' labor practices in South Asia. This has resulted the businesses to practicing and reciprocating earnings, which is precisely what businesses are known for (David, 2012; Inyang, 2013; Lee, 2008).

In addition, the more popular theories like "the stakeholder theory" and "the legitimacy theory" have clearly emphasized the significance of social responsibility of business, these theories are based on the argument that: apart from pursuing the ultimate maximization of profits, business need to be responsible for their activities

in the society. Thus, continuity and success of an organization are reliant on conformity to societal needs (Alam, 2006; Carroll & Shabana, 2010; Nwachuku, 2002; Sen & Cowley, 2013).

The stakeholder theory argues that, a businesses should be accountable not only to the shareholder's but also to the other numerous stakeholder groups like; employees, consumers, the government, suppliers, interest groups and the public (Freeman, 1984). In most situations larger organizations provide more social responsibility initiatives (Lou & Bhattacharya, 2006; Hsu, 2012). The ability to make provisions for society is a source of advantage, and effective use of social responsibilities can differentiate an organization from its rivals and increase its competitive advantage (Hsu, 2012; Porter & Kramer, 2006; Smith, 2003).

Additionally, communicating ethically with customers, and informing them about the value and convenience of products and services, is of great importance for maintaining brand loyalty, customer satisfaction, long-term customer preservation, and profitability (Okoro, 2012). The international market emphasize that most organizations are putting greater efforts to expand and sustain their market share and profit - margin (Okoro, 2012).

1.1.2 Contemporary Trend of BSR

Larger firms focused more on social responsibilities, therefore, there is demand for more research on social responsibility in SMEs, from 1990s to present times, and as such research is scarce (Cochet & Chi, 2012; Lee, 2008; Lapointe & Gendron, 2004; Spence, 2007). It is vital to carry out many studies on BSR in SMEs in view of the fact that they are by far, the largest number of firms in both industrial and emergent economies (Cochet & Chi, 2012; Efiog et al., 2013; Lee, 2008; Spence, 2007). For example, smaller businesses constitute a substantial portion of the European economy, with 99.8% of European firms being SMEs and provide self-employment to nearly 70% of the total labor force (European Commission, 2003).

Similarly, BSR is not the prerogative of larger businesses only; smaller firms must also embark on policies to execute their conscientious behavior (Spence, 2007; Russo & Perrini, 2010). In relation to the above, a firm culture comprises beliefs, morals and assumption held by organization (Galbreath, 2010; Lok & Crawford, 2004). Organizational culture also depends on its type and is likely to impact BSR either positively or negatively. Regrettably, theoretical linkages between managerial factors such as commitment, organizational culture and perceived ethics have been few or there has been no tested proof to SMEs performances. Therefore, lack of this association is unexpected, for the fact that an organization's capability to overcome BSR issues is not met by a good number of managerial stakeholders. In line with the above, this study attempts to address this inadequacy and pursues to bridge the existing gap.

BSR constitutes many behavioral consequences such as corporate control, employee relationships, suppliers and customer relationships, environmental management, ethics, trust and cooperation, community involvement, commitment to being an ethical, organization culture as well as key company operations and managerial performances (Dewan, 2009; Donaldson & Preston, 1995; Perrini, Castaldo, Misani, Tencati, 2012 & Wood, 2002). Specifically, the main issue is commitment to BSR, trust of BSR, perceived ethics, organizational culture and organizational performance. The following subsections discuss commitment.

1.1.2.1 Commitment

In recent times, organizations view that in order to continue conscientious, and viable behavior in a hastily varying environment of the world, they have to be socially responsible (Okoro, 2012; Rahul, 2010). Commitment to being an ethical organization must be in the mind of not only the general public alone, but also in the mind of business community (Wood, 2002). In the previous two decades, globalization has led to indistinct countrywide boundaries; businesses want to enhance their capability to manage their earnings and risks and to defend the status of their brand in the community (Dennis, Hackert, Tokle, Vokurka, 2012; Rahul, 2010). While BSR is significant to firm in all environments, it is more important for developing nations like Nigeria, where there are minimal funds for meeting the ever increasing aspirations of a pluralistic society, thus making the practice of sustainable growth to be more in demand (Abiodun, 2012; Amaeshi, Adi, Ogbechi, & Amao, 2006; David, 2012).

Consequently, many businesses have been playing their part for the society through contributions and aid. In general, a commitment to BSR leads to a positive outcomes for a firm and ethical philanthropic activity positively influences BSR support by stakeholders (Podnar & Golob, 2007; Worcester, 2009). In terms of corporate values and organizational commitment, they are strongly related to ethical values (Hunt, Wood & Chonko, 1989; Okoro, 2012). The following subsections highlight trust of BSR and its role in determining organizational performance.

1.1.2.2 Trust of BSR

Trust refers to reliance on the integrity, obligation or responsibility in the direction of stakeholder interaction (Buchan, Croson, & Dawes, 2002; Fang, Palmatier, Scheer & Li, 2008; Hansen, Dunford, Boss, Angermeier, & Alan, 2011). Trust has been regarded as the anticipation that the trustee is agreeable to keep the promises and accomplish obligations (Perrini, Castaldo, Misani & Tencati, 2010). This idea has gained significance in both management and marketing research and has proven important in situations where the trustee is vulnerable (Perrini et al., 2010).

Furthermore, there is a belief in literature and in company practices that BSR is based not merely on principles, but also on progressive egotism (Hilman & Gorondutse, 2013b; Perrini *et al.*, 2010; Smith, 2003). The stakeholder is of the view that a firm's socially accountable actions will make its business more attractive than

its business rivals; primarily it will enhance economic and market performances, and be more focused on retaining consumers (Perrini *et al.*, 2010; Uslander, 2010).

Trust has an immediate consequence on an organization's social performance (Mohr & Puck, 2013; Pivato, Misani & Tencati, 2008; Tian, Wang, Yang, 2011); the absence of trust may prevent future investment or even lead to the withdrawal of existing investment (Uslander, 2010). Previous researches have used trust of BSR with respect to consumers (Hansen *et al.*, 2011; Tian *et al.*, 2011). In line with the issue highlighted above, the following subsection discusses perceived ethics.

1.1.2.3 Perceived Ethics

Business ethics is moral principles that a business adheres to; it guides the way it behaves (Valentine & Fleischman, 2008). Organizational ethics is a desire to adopt moral principles and company practices. However, some organizations encourage ethical behavior by laying down ideals that influence organizational members' moral beliefs and performance (Trevino & Nelson, 2004; Valentine & Fleischman, 2008). In recent years, there is requirement for firms to become more moral. This has been noticeably entrenched in people's minds by the several publicized collapses of US-based firms such as Enron, WorldCom and Tyco; as well as Australian firms like HIH, Onetel, Westpoint and UMP and Parmalat in Italy (Cacioppe, Forster, Fox, 2008; Hilman & Gorondutse, 2013b). The latest issues pertaining to dozens of firms

paying bribes to the government of Saddam Hussein also has fuelled the need for business ethics (Cacioppe, Forster, Fox, 2008; Hilman & Gorondutse, 2013b).

Ethics related programs are likely to enhance organizational performance, and participation in BSR behavior. It can to persuade their employees to work more ethically (Valentine & Fleischman, 2008). For instance, dissonance theory suggests that workers understanding decreases disagreement and increases happiness when a company is ethical (Cacioppe *et al.*, 2008; Hilman & Gorondutse, 2013b; Viswesvaran, Deshapande & Joseph, 1998). A firm must enhance welfare and the wishes of major stakeholders (Clarkson, 1995; McWilliams & Siegel, 2001; Valentine & Fleischman, 2008). Such practices comprise attractive goals of BSR, which eventually improve thinking and desires of corporations and the wishes of workers (Cacioppe *et al.*, 2008; Tuzzolino & Armandi, 1981).

BSR can fulfill a business's commitment in offer attractive services for its workforce (Cacioppe *et al.*, 2008; Peloza & Papana, 2008). Earlier studies have also proven that a firm's ethics yields better work pleasure and organizational performance (Berrone, Surroca, Tribo, 2007; Deshpande, 1996; Jin, Drozdenko & Deloughy, 2013; Koh & Boo, 2001; Peloza & Papana, 2008; Singhapakdi, Vitell, Rallapalli & Kraft, 1996; Vitell & Davis, 1990). Similarly, it has been observed that a link exists with regards to business ethics and BSR (Hilman & Gorondutse, 2013b; Peloza & Papana, 2008; Singhapakdi *et al.*, 1996), with firm performance.

Most compaies are conscious of ethical and environmental issues (Valentine & Fleischman, 2008). However, the desire to address this has been difficult because of lack of resources, drug misuse, offences, inappropriate behavior of employees, defective production and ecological harm or toxic waste by the industries as it has been reported in the media (Amaeshi *et al.*, 2006; David, 2012).

Consequently, it is necessary for all businesses to recognize that society requires better - social responsibility; good image may vanish if business organizations fail to react to the challenges these ethical issues may cause to society (David, 2012). Very few empirical researches have directly investigated BSR from an organizational or workers point of view, both with regards to how workers' see the social performance of their company or how BSR perceptions affect their everyday morals and behaviors (Aguilera, Rupp, Williams & Ganapathi, 2007; Hansen, Dunford, Alan, Boss & Angermeier, 2011). This also led to another issue called organizational culture.

1.1.2.4 Organizational Culture

Organizational culture has been described as personality or feelings of firm which influences behavior. Culture is a collection of beliefs, values and an assumption held by the organization and is the level at which company is managed sensibly or irresponsibly (Ahmad, Veerapandian & Ghee, 2011; Schein, 1984). Organizational culture guides behavior that determines service quality, ethical considerations and

fair treatment of stakeholders (Ahmad *et al.*, 2011; Hemdon, Fraedrich & Yeh, 2001). For a business to be performing social behavior firms and their executives must plan and retain an organizational culture premised on ethics; maintaining an ethical culture does not occur by business decision alone, it must be incorporated into all business dealings (Wood, 2002).

However, organizational culture depending on its type can have a positive or negative effects on BSR (Galbreath, 2010). Scholars argue that an over emphasis has been placed on investigating the substance of BSR actions to the detriment of studying the inner factors that may form or constrain such actions (Cambell, 2007; Galbreath, 2010). The sample of cultural essentials that emerge in a business is an educative one that shapes the set of responses to organizational surroundings jobs and problems. It is also anticipated that culture relate to social accountability. This is because explicit worth entrenched in the organization has an effect on decisions made in the direction of achieving goals and objectives (Simon & Ingran, 1997; Galbreath, 2010).

Unfortunately, theoreies relating to organizational constructs such as commitment, trust of BSR, perceived ethics and organizational culture are very few; in fact, there is no empirical evidence in the Nigerian context (Amaeshi *et al.*, 2006; Efiong *et al.*, 2013; Galbreath, 2010). Absence of these important practices has somewhat resulted in an organization's neglect for social responsibility behaviors toward stakeholders.

In line with the above discussion, the following subsection discuss on organizational performances.

1.1.2.5 Organizational Performances

Firm performance is one of the most- relevant constructs (Peloza & Papania, 2008; Rumelt, Schendel, & Teece, 1994), and the construct is commonly used as the final dependent variable (Richard, Devinney, Yip, & Johnson, 2009) in various fields (Cho & Pucik, 2005; Peloza & Papania, 2008; Sila & Ebrahimpuor, 2005; Wiklund & Shepherd, 2003;). Despite its relevance, research into firm performance suffers from problems such as lack of consensus, selection of indicators based on convenience and little consideration of its dimensionality (Combs, Crook, & Shook, 2005; Crook, Ketchen, Combs, & Todd, 2008; Richard, Devinney, Yip & Johnson, 2009).

Many studies measure firm performance with a single indicator and represent this concept as one-dimensional, even while admitting its multidimensionality (Glick, Washburn, & Miller, 2005). If several dimensions exist, the researcher should choose the dimensions most relevant to his or her research and judge the outcomes of this choice (Richard *et al.*, 2009). Ray, Barney & Muhanna (2004) warned against the difficulties of testing the Resource Based View (RBV) using aggregated measures of performance and suggest the use of indicators directly connected to the resources under analysis. The fact that profit and growth are relevant motives for the existence of a business firm must be indisputably included in any attempt to measure performance (Peloza & Papania, 2008).

Furthermore, there is an on-going deliberation on the association between BSR and organizational performance. Specifying the relationship between them is very vital; managers must try to balance stakeholders hope for a firm to behave responsibly against needs of its financial performance (Berrone, Surroca & Tribo, 2007; Bertels & Peloza, 2008; Hilman & Gorondutse, 2013b; Peloza & Papania, 2008; Perrini & Castaldo, 2008). Similarly, firms that behave in responsible behavior usually enhance managerial performance (Fombrun & Shanley, 1990; Gorondutse & Hilman, 2013a; Peloza & Papania, 2008). Although there have been many attempts by organization's to merge anticipation of stakeholders, yet this responsible behavior has not been addressed, hence, calling for different way to discover the real association between BSR and managerial performance (Berrone, Surroca & Tribo, 2007; Bertels & Peloza, 2008; Peloza & Papania, 2008; Perrini & Castaldo, 2008; Pivato, Misani & Tencati, 2008).

There have been a number of studies on social responsibility of businesses in Nigeria, mostly on international business organizations and few on local companies (Efiong *et al.*, 2013; Frynas, 2000, 2001; Inyang, 2013; Ite, 2004, 2005; Okoye, 2010 & Adegbite, 2012). Do BSR practices of international business firms working in Nigeria imitate what is occurring in their domicile nations, as Jones (1999) and Van Tulder and Kolk (2010) argue? The question therefore how indigenous Nigerian firms perceive and practice BSR. In other words, is there a Nigerian kind of BSR or is it a simulation of western BSR practice (Amaeshi, Adi, Ogbechie & Amao, 2006). Hence, this study attempts to answer the above questions. Business as a subject

matter has been used as a medium of communicating to the society, the importance of BSR as the base for its investment evaluation.

In addition, it is only recently that a business corporation has begun to pay closer attention to BSR (David, 2012). However, this trend or development is owed largely to the influx of foreign companies that have been very much in tune with BSR long before now (Adegbite & Chizu, 2011). The perception of indigenous Nigerian companies in a study by Amaeshi *et al.*, (2006), is that a BSR undertakes charity meant to solve socio-economic challenges in Nigeria; their study also sees BSR as a way to offer back to the community. The Nigerian Statement of Accounting Standards (SAS) does not emphasize direct methods for disclosure of BSR and related activities in financial statement of firms. Such information is disclosed based on the reporting entity's will (Helg 2007; Adegbite & Chizu, 2011).

Most Nigerian firms are insensitive to social responsibility particularly in Kano State, which is the largest city and center of commerce of Nigeria. Previous studies in Nigeria have emphasized on multinational companies (Adegbite & Chizu, 2011; Amaeshi *et al.*, 2006; David, 2012; Ite, 2004, 2005; Okpara, 2012; Okoye, 2010). Therefore, this study focuses on the relationship between BSR and organizational performances of indigenous firms (local environment) particularly, the small scale industries. Generally, there is very few or no empirical based research on what might be the consequence in relation to those variables as mentioned earlier on SMEs

performance. The study is of great importance to organizations, government, and academics alike and will provide an additional contribution to existing literature on the relationship between BSR and SMEs performance. Based on the above issues the following subsection discusses the problem statement.

1.2 Problem Statement

The importance of BSR in socio-economic development cannot be over emphasized, especially in developing countries, where the government alone cannot care for the socio-economic needs of the society, and needs participation of the private sectors. BSR has received global attention as many organizations are facing customer pressures requesting all sorts of thing, such as better value of product, addressing disparities in standard of living, increased employment opportunity and access to health care facilities besides many others. Unfortunately, BSR in Asia and other developing nations are relatively under researched (Chapple & Moon, 2005; Muthuri & Gilbert, 2011).

Recently, business environments are characterized by significant demand and strong relationship with a variety of stakeholder groups. Many stakeholders take into consideration the performances of the business, which is the main idea of the Freeman Stakeholder Theory (Freeman, 1984). In addition, Nigerian businessmen have also been quite insensitive or have clearly cut themselves off from the regular activities to the areas in which they survive and accumulate their prosperity

(Abioudun, 2012). Oil firms, for example, are known to have contaminated farm lands and have made no effort to pay compensation to the deprived masses (Abioudun, 2012; Amaeshi *et al.*, 2006).

Previous researches on the association between BSR and performance were focussing on larger firms and little is known on SMEs. In addition, those research were done in western nations, and most of them were qualitative instead of quantitative (Chapple & Moon, 2005; Dennis, Haskert, Tokle and Vokurka, 2012; Egri & Ralston, 2008; Lee, 2008 & Taneja, Taneja and Gupta, 2011). Lack of organizational culture variable is also another issue that affects performances which has led to less commitment for the practices of BSR. Literature suggests cultural differences need to be captured in subsequent research (Fang, Huang, & Stephanie, 2010; Beneke, Wanke, Pelteret and Gordon, 2012; Herndon, Fraedrich & Jen-yeh, 2001).

Empirical studies to link BSR and Performance i.e, re-active strategy (Fang *et al.*, 2010); Size ownership (Benedik *et al.*, 2010); trust and awareness of BSR (Tian *et al.*, 2011); and ethical practices (Ahmad & Ramayah, 2012) reveal consistent findings. Being committed to BSR usually enhances organizational performance, and trust and cooperation are beneficial for business performance (Cochran & Wood, 1984; Fang *et al.*, 2010; Fombrun & Shanley, 1990; Jone, 1995; Peloza & Papania, 2008). Others suggest the contrary (Margolis and Walsh 2003; Waddock & Graves,

1997; Berrone *et al.*, 2007). These inconsistent results have led to many demands for having a mediating mechanism to explain the relationship between BSR and Organizational Performance (Berrone, Surroca & Tribo, 2007; Pelozo & Papania, 2008; Perrini & Castaldo, 2008; Pivato, Misani & Tencati, 2008). Based on the above issues, there is ample evidence that previous studies to date have produced mixed results on the association between BSR and Organizational Performance (Margolis, Elfenbein & Walsh, 2008; Pelozo & Papania, 2008; Pivato *et al.*, 2008).

Considering on the issues highlighted above, to the best knowledge of the researcher, no study has integrated constructs such as Commitment, Trust, Perceived Ethics, Organizational Culture and Performance in one framework as in this study and on the perspective of strategic to shape the performance of SMEs. One significant shortcoming of past research is that each study concentrates on a specific area. Given that, there is paucity of such research on SMEs in emerging nations particularly in Nigeria. Despite increased knowledge on the issues of ethics and social responsibility in developing nations, there is a big disparity between large firms and smaller businesses (Egri & Ralston, 2008; Lee, 2008; Rettab, Brik & Mellahi, 2009).

This research tries to bridge this gap by, examining the association between BSR's and SMEs Performance, specifically small scale industries. Commitment to BSR, Perceived Ethics, Trust of BSR, and Organizational Performances serve as independent and dependent variables respectively, while Organizational Culture is the mediating variable in line with previous research and suggestion. (Baron & Kenny; 1986; Beneke *et al.*, 2012; Berrone, *et al.*, 2007; Egri & Ralstond, 2008; Fang *et al.*, 2010; Hansen *et al.*, 2011; Lee, 2008; Pelozo & Papania, 2008; Pivato *et al.*, 2008; & Taneja, *et al.*, 2011).

1.3 Research Questions

Based on the above problem statement, the study intends to respond to the following questions:

1. Is there any relationship between BSR and SMEs performance in Nigeria?
2. Is there any relationship between BSR and organizational culture?
3. Is there any relationship between organizational culture and SMEs performance in Nigeria?
4. Is there any mediation effect of organizational culture on the relationship between BSR and SMEs performance in Nigeria?

1.4 Research Objectives

The study is primarily aimed at examining the conduct of BSR, with mediating effect of organizational culture among Nigerian SMEs, with a view to reducing the observed gaps. To attain the aim of the research, the following precise objectives are developed. The objectives are designed to handle the research questions mentioned. Hence, the first objective takes care of the first question; the second objective leads to answering the second question and so forth. Below are the objectives of this research:

1. To identify the relationship between BSR and SMEs performance in Nigeria.
2. To identify the relationship between BSR and organizational culture.
3. To examine the relationship between organizational culture and SMEs performance in Nigeria.
4. To identify the influence of organizational culture as a mediating variable on the relationship between BSR and SMEs performance in Nigeria.

1.5 Overview of Conceptual Framework

Considering the research gaps explained in the problem statements, this study examines five constructs in the context of BSR among the SMEs, Figure 1.1 depicts the conceptual framework.

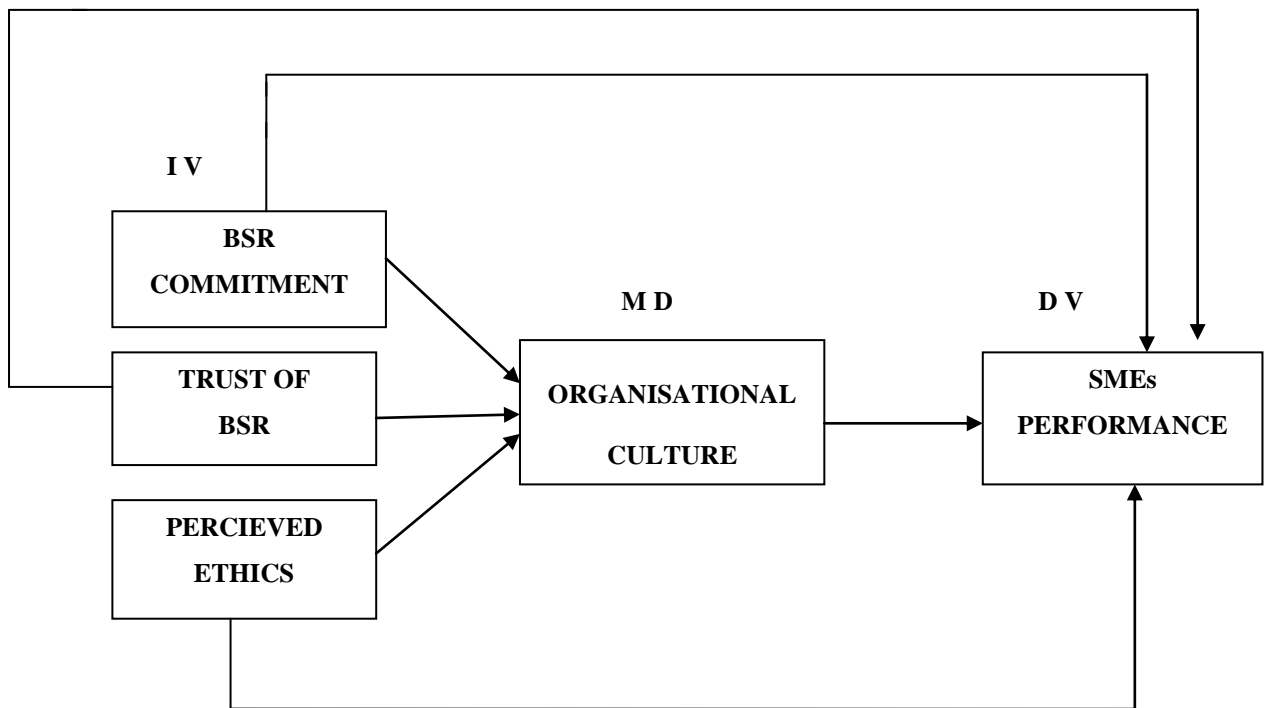


Figure 1.1

The Relationship of Commitment, Trust of BSR, Perceived Ethics, and Organizational Culture on Performances

1.6 Scope of Study

This study is limited to indigenous firms particularly SMEs in the Kano State Nigeria. This is because this area has been ignored in previous researches (Adegbite & Chizu, 2011; Amaeshi *et al.*, 2006; David, 2012; Ite, 2004, 2005; Okpara, 2012; Okoye, 2010), and Kano State is the largest and most heavily populated state in Nigeria (NNPC, 2006). Kano State has an opportunity to be the terminus of a trade for with other African regions and the Arab world (Sani & Suleiman, n.d.). In addition, Kano state has a concentration of commercial activities with the presence of a large number of SMEs (Local and Foreign). Hence, peoples from different parts of the country and other neighboring countries with diverse cultures, religions, attitudes and behavior are found doing business and participating in one way or another in the economic and financial enterprises of the state. This serves as one of the basic requirements for any business set-up; as such, what works and operates successfully in the state, may likely be manifested in the same manner in another state of the federation. The sample from this population is relatively homogeneous, and meets the stringent requirement for generalization (Babie, 1990).

However, this study only considers the SMEs registered with the Corporate Affairs Commission (CAC) in Kano State, and the variables mentioned above; individual customers are not included in the survey. This enables the researcher to know whether they are undertaking BSR activities or otherwise. Furthermore, the variables involved in the study are subject to Confirmatory Factor Analysis (CFA); and, consequently, the scope of the variables is determined by the outcome of CFA.

1.7 Significance of Study

To date the importance of BSR as a source of influencing organizational performance has been substantially deliberated by academicians and practitioners, thus, studying this issue further, is both relevant and newsworthy for this study. In Nigeria the SMEs is an important sector in the economy. It provides a large number of job opportunities, and contributes to Gross Domestic Product (GDP) by 87% of all business functions in Nigeria. For instance, in 2007, SMEs contributed 50% of GDP and 70% of employment, but in 2012, it was 46.3%, and 60%, respectively. Several factors led to the decrease, and one of them is the ability to execute BSR, and this is affecting the economy of Nigeria and Africa as a whole.

Previous authors have reported that there is a lack of research regarding the practices of BSR in SMEs (Lee, 2008). Therefore, this study contributes to SMEs in Nigeria and can be used as a basis for other organizations BSR practices. In addition, the findings from this study can help to expand our knowledge of BSR practices, and provide guidance for owners/managers of SMEs on how to design and implement BSR effectively. Overall, the findings from this study can help organizations obtain a better picture of how to implement BSR to improve organizational performance and the Nigerian economy.

1.8 Contribution of the Study

This study hopes to benefit society and contribute to literatures particularly by examining the conduct of Nigerian companies in delivering their social responsibility. The contribution of this research to the body of knowledge is explained below:

Theoretical significance: The research contributes to the competitive advantages in strategic perspectives, and is expected to add to the literature on BSR/SMEs relationship, particularly in Nigeria. It helps to better understanding BSR practices, motivation and concepts among owners/managers of SMEs in Nigeria, hopefully narrowing the identified gaps. This research is also useful to researchers and students interested in this area.

Practical significance: The research addresses many important issues in the literature related to the relationship between BSR and SMEs performance. In addition, the result of the research can provide and concern of Nigerian SMEs and the general public, to be able also to help and discover the impacts of firms BSR in the community. The finding from this research can further enhance any existing decision on BSR, as a result increasing ability of SMEs in Nigeria to make better decisions related to social behaviors.

1.9 Organization of Thesis

This thesis is prepared in five chapters. Chapter one introduces the background of the research. The chapter comprises the general introduction to the study, problem statement, research questions, research objectives, scope of the study, and significance of the study.

Chapter two conceptualizes five major variables of this study: BSR (commitment, trust, perceived ethics, organizational culture and performance). This chapter also highlights previous studies on BSR. Further, the potentialities of organizational culture as a mediator on the relationship between BSR (commitment, trust and perceived ethics), and performance are discussed.

Chapter three discusses the conceptual framework derived from a review of the literature, and the direct and indirect relationship between the key constructs and the proposed hypotheses of the research. It also discusses the research methodology employed. Additionally, the chapter explains the research setting, population, and sampling technique, method of data collection and method of data analysis.

Chapter four presents the descriptive analysis of the respondents, empirical results, key findings, test of hypotheses and provides discussions of findings. Lastly, chapter five provides summary of findings, limitations, directions for future research, suggestions for practice, and conclusion.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The purpose of this chapter begins with the underlying theories of the study, namely the stakeholder and legitimacy theories, next present a general review on the origin and evolution of BSR. Similarly, included in chapter two are BSR and its dimensions such as commitment, trust of BSR, and perceived ethics. In addition, an organizational culture is examined. Finally, the chapter also considers SMEs in general and organizational performances.

2.2 Underpinning Theory

Theories are important for every research as they assist in shaping and directing the research; the instrumental stakeholder theory, and the legitimacy theory is used in this study.

2.2.1 Instrumental Stakeholder Theory

This theory is also known as good management theory; the theory proposed that management should not make profit as its primary concern and view claims of other groups as constraints. Therefore, the main premise of the theory is that management should adapt their policies by being committed, insightful and acknowledge that the business has the responsibility to all stakeholders, who stand to gain or lose as a

result of the firm's activities (Freeman, 1984; Glautier & Underdown, 2000). The stakeholder theory considers the need to be friendly on the demand of host society and of the community who will be affected by corporation (Hess, 1999).

Donaldson and Preston (1995) have also differentiated between instrumental and normative approaches of the stakeholder theory. The theory state that whether stakeholders concern are taken into cognizance, instrumental approach is linked to impact that stakeholders might have in terms of corporate efficiency, whereas the normative approach deals with the fact that corporations have to regard stakeholders' interest even if there is no advantage (Gibson, 2000). Initially, organization asserted that the primary objective of business is to maximize the profits (Friedman, 1970). In contrast, the modern stakeholder theory of Freeman's (1984) state that the firms need to concerned with the interest of society that is affected by the business. Stakeholders are those public, persons who the organization relates to or have interdependencies, and any society or individual who can influence or is affected by the decisions, rules, actions, practices or aim of the business (Carroll, 1993; Gibson, 2000).

The stakeholder theory clearly explains the association of different society or actors around respective businesses. The substantial effect of Freeman's stakeholder model among fractioned might be confident based which is in particular on the cognitive power of visual representations (Fassin, 2008; Fassin, 2009). Freeman's (1984) idea

can be affected by the business actions and see the firms as the center of a sequence of mutually dependent and interrelations (Crane & Matten, 2004; Fassin, 2009).

Several interpretation of stakeholder theory has been projected, but the convention is that it can be useful to give details as well as to direct the arrangement and operations of reputable organizations (Donalson & Preston, 1995). Consequently, this is not only to say that businesses have to take action against escalating stakeholder demands, but to be part in the development of better or excellent community. In addition, it is understood that BSR actions is about the concluding end or consequence from course of action but all process that exist throughout the entire management levels (Jones, 1980). In addition, Jones (1995) argued that businesses have frequent dealings with stakeholder's base on the foundation of trust and cooperation has a motivation to conduct and behave ethically, since such behavior give advantages to business.

A key postulation of the theory is that firm ultimate objective is market achievement and by fulfilling stakeholder's rights would enable firms to accomplish their desired objective (Donalson & Preston, 1995; Freeman, 1984). Similarly, it expects that stakeholder happiness leads to superior dedication and better performance (Stevens, Steensma, Harrison & Cochran, 2005; Hosmer, 1994). In addition commitment to being an ethical business must not only be in words, but also in actions (Wood, 2002).

2.2.2 Legitimacy Theory

Another supporting and connected theory is the legitimacy theory which is similar to the stakeholder theory and political economy theory that are known as system-oriented theory. Gray, Owen and Adams, (1996) describes that this theory facilitate firms that work well with respective society value system (Gray *et al.*, 1996). Therefore, legitimacy theory relies on the concepts that businesses have binding law with society, thus satisfying the agreements with the public and legalizing the organization and their action (Gray *et al.*, 1996).

In addition, in order to be performing socially and ethically, businesses must continue to have an ethical culture (Sims, 1991; Wood, 2002), and performing an ethical culture must be incorporated in all corporation actions (Wood, 2002; Sims, 1991). Furthermore, Taylor, Sulaiman and Sheahan, (2001) indicated that legitimacy theory gives emphasis within the reach of organizational social responsibility within its environmental, hence, this contract are used as the foundation for insertion of social preferences into business actions (Gray *et al.*, 1996; Mathew, 1997). In addition, Taylor *et al.*, (2001) describes legitimacy theory drives business enterprise to legitimize its conduct through management of its stakeholder perception.

Hence, given increasing community consciousness and fear for the environmental effects of business on society in Nigeria, legitimacy theory recommends that firm make sure that their actions and performances are up to standard (Gray *et al.*, 1996). Thus, the stakeholder theory explained the necessity to be quick in responding to pressures made by members of the community. Therefore, for the purpose of this study researcher adapts the two theories.

2.3 Business Social Responsibility (BSR).

Allouche and Laracle (2006) stated that for a long time, the concept of social responsibility has been a matter of extreme ideologically subjective debates, deliberation, explanation and theory building around the world (Freeman, 1984; Mark *et al.* 2011; Bowen, 1953; Carroll, 1979; Epstein, 1987; Friedman, 1962; Sethi, 1975; Wood, 1991). In addition, Dimitriadis (2006) and Perrini, (2006) are of the observation that ethical issues and social responsibility are often similar (Gorondutse & Hilman, 2013a). Similarly, those two terms “CSR” and “BSR” are identical and interchangeable (Beneke *et al.*, 2012; Lee, 2008). Even though more knowledge on CSR/BSR in literature has become available, no clear definition for CSR/BSR has been generally established (Matten & Moon, 2008; Torugsa, Donohue & Hecker, 2012). This may be because CSR/ BSR is a sunshade term overlapping with some, and identical to other conceptions of business–community relationships (Matten & Moon, 2008; Torugsa, *et al.*, 2012).

There is a lack of consensus for the definition in the CSR literature. CSR is also known as corporate citizenship, BSR, corporate philanthropy, community relations, community affairs, business ethics community development, and company social marketing (Kotler & Lee, 2005; Matten & Moon, 2008; Torugsa, *et al.*, 2012). On the other hand BSR is an ethical philosophy that as a body -be it a business or individual - has a commitment to act and help society at large (Bowen, 1953; Dewan, 2009). This study used BSR rather than CSR since they are interchangeable and synonymous with other concepts. Additionally, this study focuses on smaller business rather than corporate businesses with legal entity. (Beneke *et al.*, 2012; Dewan, 2009; Lee, 2008; Matten & Moon, 2008; Torugsa, *et al.*, 2012).

The assertion that an organization must comprise business ethics and social responsibility has been deliberated in the literature for many years (Benedick & Davor, 2010; David, 2012; Bowen, 1953; Carroll, 1979; Lee, 2008). Nonetheless, the idea of BSR has several interpretations (Carroll & Shabana, 2010; Hummel, 2004; Lee, 2008). In addition, BSR refers to functions of businesses in a way that meet with the ethical issues, lawful business and related to firms decision on societies and general environments (BSR, 2005; Ofori, 2010; Okoro, 2012).

The Green Paper of the European Union (EU 2002) refers to BSR as an idea in which firms bring together public and environmental concerns in their business actions and in their relations with their numerous stakeholders in a charitable foundation. To act in a socially responsible way means charitable fulfillment over what the rules have set. This means investing more in human wealth, environmental safety and retaining stable associations with stakeholders. BSR also refers to united and visible firm actions that are dependent on principles, values and esteem for workers, public and society. All these tend to bring sustainable value to the community in general as well as shareholders. BSR means businesses must be committed to the public besides its shareholder's (Carroll, 1999; David, 2012).

Meanwhile, Sterck (1993) posits that socially responsible organizations are concerned with anticipation of rule as well as market that optimized benefit. In line with the above, Drucker (1993) explained that corporate citizenship means vigorous commitment. The World Business Council for Sustainable Development (WBCSD, 1998), which is a group of 120 universal companies, regards BSR as a systematic obligation by businesses to act ethically and contribute to economic improvement while improving the quality of life of the labor force and their families as well as the local people and society at large (Gorondutse & Hilman, 2013a). In addition, the WBCSD states that all firms are starting to see the idea of BSR as essential feature of their philosophy. This is further evidenced by Murphy (1995), who argues persuasively that many businesses have issued or revised their firm's ethical stance and are more committed to ethical outcomes (Murphy, 1995).

2.3.1 Historical Evolution of Business Social Responsibility

The concept of social responsibility started in the United States (US) around the beginning of the 20th century. According to Carroll (1989) there have been three crucial era in the progress of ethical and social responsibility: the initial one was the industrialized era – this was the period in which American business magnates like John Rockefeller, Cornelius Vanderbilt, J.P Morgan, and Andrew Carnegie possessed accrual capital and industrial empires. Regrettably, these people abused their influence and they were reported to be on the wrong side of the law of anti-social and anti-competitive practices such as labor lockouts, unfair pricing policies, kickbacks, blackmail, and levy avoidance (Carroll 1989). In addition, there were public outcries against them and the government disallowed some business actions and limited others. The rules also differentiate relationships among business, government and people, whom known main intention of a business is profit maximization (Carroll 1989; Lee, 2008).

The next turning point which is contrary to the above started during the period of gloominess between 1929 and the 1930s. During this era, the financial system of the US was conquered by bigger organizations, and a lot of people criticized them for fluctuating financial practices (Carroll 1989; Lee, 2008), this had led the government to implement additional rules to defend investors and smaller businesses. These additional rules clearly defined the issue of social responsibility of organizations. The third stage of social responsibility came during the period of 1960's. This phase was featured by social conflict in the US (Carroll 1989; Lee, 2008). This had driven

administration to look closely to look at the governmental practices. Furthermore, it was clearly evident who the company was conscientious to and who in a business was responsible for the managerial practices (Carroll, 1989; Lee, 2008).

According to Goddard (2005), the third and final era witnesses the evolution of BSR in 1953 with a book by Bowen': "Social Responsibility of Businessmen". A number of issues, such as executive riot, a growing opposition by personnel who were familiarity with community problems and challenging changes in business led to the shift in focus (Gorondutse & Hilman, 2013a). Having elaborated on the historical evolution of BSR above, the following subsection discusses the approaches to social responsibility.

2.3.2 Approaches to Social Responsibility

There have been three approaches to social responsibility which try to explain the argument for and against social responsibility. Generally, Glautier and Underdown (2000) identify these three approaches as from management sciences perspective as follows:

The first approach steams from the conventional economic theory, which proposes that a business has one and only one purpose, which is to take advantage of profit. A firm is said to be acting in the best interest of the society if it operates within the confines of relevant legislations. This classical interpretation of the initiative of BSR

was advocated by Friedman (1962) in the following terms; that there is only one social responsibility of the firms, which is to use capital and engage in activities intended to enhance its profit within the laws of competition, that is to say, engage in free and open struggle, with no dishonesty or deception (Friedman, 1962).

The second approach emerged in the 1970s, and recognizes the significance of social objectives in relation to the maximization of profit. In this view, managers should make decisions that will strike a rational balance between the right of shareholders, workers, consumers, suppliers, and the general society. Thus, for an organization to maintain its long-term objective, it has to give proper consideration to the demand of all interest groups (Glautier & Underdown, 2000).

The third approach is a modification of the second one; although it does not consider profit as the sole motive. Here the management strives to make decision that will reconcile the conflicting demand of its various stakeholders. For example employees' demand for more wages and improved benefit plans, shareholders requirement for more dividend and greater capital appreciation, government requirement for payment of tax and operations within the confines of relevant legislations, the community's interest in social concern and keeping the environment healthy, all these are to operate within the acceptable social framework (Shrader,1987). The philosophy here is that the management should regard profit as a means to an end and not an end in itself. Thus, as an alternative of looking for

maximizing profit generally, the end result should be a suitable level of profit which is well-matched with accomplishment of a variety of social goals (Shrader, 1987). The following subsection discusses several perspectives on BSR.

2.3.3 Perspectives of Researches on BSR

Based on the literature, there are several perspectives to BSR; some look at the firm size and BSR, others look at BSR and industry. A third considers BSR practises and their similarities and differences among countries (Dennis, Hackert, Togle, & Vokurka, 2012).

Another study which investigated Norwegian business practices of BSR discovered that ethical consideration, internal values and external force can all persuade social responsibility actions (Bronn & Vidave-Choen, 2009). In addition, the result of the study signifies that improving image, being familiar with ethical directions and continuous existence, are among the major reasons why businesses are practicing social responsibility (Bronn & Vidave-Choen, 2009). The study also revealed significant differences; businesses perceive that environmental creativity is precious and decreased firm's competitiveness. Ambec and Lanoie (2008) considered different approaches that can yield cost benefit advantages through actions such as enhancement, by using of environmental related actions, this comprises enhancement of access to precise markets, segregation commodities, selling toxic waste manage

environmental, risk administration and associations with outside stakeholders, fees of objects, energy and services, cost of wealth and the fees of labor.

Similarly, another research by Adam and Valerie (2010) discovered researchers on BSR have moved from clearly normative and moral-oriented points of view to absolutely normative and performance-oriented administrative studies. This is consistent with Fang, Huag, and Stephanie, (2010); Herndon, Fraedrich and Jen- yeh (2001) who provide a review of literature of selected Taiwanese firms. The aim of their study was to know the strategies used in organization and benefit generated by dynamic capability. They used exploratory analysis to analyze their findings. The result shows that most of the firms that met customer demands are practicing BSR and accordingly they have better performance.

Russo and Perrini, (2010) and Vintilia and Moscalu (2009) give an extensive review of the literature on BSR of bigger firms. The aim of the research was to investigate whether there is an association between businesses in western nations and social responsibility actions. The result revealed that bigger firms and smaller businesses might have diverse motivations for investments in CSR, and this result is consistent and concurs with the result of Russo & Perrini (2010). The authors suggest that SMEs and bigger businesses may need two diverse constructs to study their individual CSR activities. It is possible for larger businesses to obtain stakeholder approach while SMEs may pursue the philosophy of social capital. However, the

result of Nidzara and Davor (2011) is quite contrary to the above, their study examined BSR and ecological dimensions of entrepreneurial's activities of SMEs and large enterprises, and the result provides insight into the need to approach BSR from strategic perspectives.

Caroll and Shabana (2010) in their overview of trends of BSR investigate the business case for ethical and social responsibility; they studied the motives behind why firms might consider the issue of social responsibility. In addition, the business case for BSR is explained as the link between BSR and financial performance; the study established extensive review of literatures that support the actions of BSR which have a significance and profitable impact on businesses; yet other studies provide contrary evidence. Therefore, businesses need to recognize their stakeholders and put into practice BSR actions that will favor them. In the same vein, authors recommend that businesses need to have both internal and external advantage from BSR for them to implement the idea; businesses may be likely to find internal advantage in the form of improved financial performance or external advantage for BSR opportunities. In a similar result, Dennis, Hackert, Tokle & Vokurka (2012) described another look on the practice of BSR of firms in Canada, Hungary, Italy, Lebanon, Taiwan and the US. Their contribution to literature is the inclusion of health and safety issues, and the key outcome in the study is stakeholder satisfaction.

The study of Panapanaan, Linnanen, Karronen and Phan (2003) signify that firms must be required to appraise BSR areas to put them into practice and then make a decision whether to continue. However, Werre (2003) argued that firms must focus on internal but not external stakeholders. Maignan, Ferrell and Ferrell (2005) provided a number of stages from the marketing perspective in relation to BSR practice and its positive relations to stakeholders. Maon, Lindgree and Swaen (2009) establish a model that combines main stakeholders; i.e buyers, suppliers, employers, social and mainstream investors and secondary stakeholders and modify them at businesses, organizational and decision-making levels. This more complex model can assist companies to enhance and recognize stakeholder value.

A survey conducted by Egri and Ralston (2008) review BSR research from 1998 to 2008 in most of the high impact international management and business journals, and found a number of issues that need to be examined in the future research. Most of the research on social responsibility has focused on North America and Western Europe and little is known about BSR in developed countries and emerging nations as well as Latin America. This provides the potential for future research due to a number of gaps in international management literature regarding knowledge of BSR worldwide.

The finding is similar to Taneja *et al.*, (2011) in their review on researches on BSR in international academic journals from 1970-2008 as the result reveals that there is paradigm shift from normative to positivist and interpretation of research finding. Most of the BSR researches have used qualitative research techniques rather than quantitative, and mostly studies the environmental issues. There is a need to change the trend. Bravo, Matute and Pina (2012); Clacher and Hangenderff (2012); Fenwick (2010) and Lamberti & Lettieri (2009) argued that qualitative method of analysis is still relevant in other situations, but the need for quantitative method is alarming as it can give new perspective to the issue and subject that is BSR.

Consequently, from single-country focal point Katsioloudes and Brodtkort (2007) examine the issues of BSR in the United Arab Emirates. The finding reveals that the environment, community issues and consumer protection have been considered in various categories of companies. However, the result is different from the review of Okpara (2010) in Nigeria as pressure from stakeholder group has resulted in some multinational organizations improving their commitment to BSR programs, but the result cannot be generalized due to smaller samples. In line with the above, David (2012) provides a strong and positive relationship between BSR of multinational corporations and community development. Additionally, Efiong *et al.* (2013) identified low level of awareness on BSR among businesses in Nigeria, and this certainly require more factors to be considered in addressing the issues. In line with this, the following subsection discusses an overview of SMEs in Nigeria.

2.4 An Overview of SMEs in Nigeria.

Nigeria is located in West Africa and has the largest population in Africa with an estimate about 158.2 million. Nigeria is the most largest economy in Africa with GDP of closer to USD 43.3 billion in 2004 (World Bank, 2005; 2012). Its financial system constitutes oil and non-oil producing sector. In addition, the oil producing economy has five million people with per capital income of about USD 2,200 and the remaining populaces are underprivileged, or belong to non productive economy (Inyang, 2013; World Bank, 2005; 2012)

Most of the Nigerians generate their income from a mixture of farming activities and SME. Information on number of resouce allocation and actions of the SMEs sector is very limited and very difficult (Lal, 2007). Generally it suggested that SMEs constitute 87% of all businesses functioning in Nigeria (World Bank, 2005; 2012). SMEs provide 70% of employment to able men and women in the country (Hamidu et al., 2007), and has contributed greatly to the growth and development of many developed nations in terms of employment, contribution to GDP as well as export. In addition, the potentials of small scale industries can result in the realisation of macro-economic objectives of full employment, industrial dispensation, stemming rural-urban migration, promotion of indigenous technology and economic self reliance.

Statistics from the Corporate Affairs Commission (CAC), a regulatory body responsible of business registration in Nigeria shows that the majority of SMEs particularly the well developed ones are clustered in highly populated states like Kano, Lagos and Port-Harcourt. Many micro or small ventures can be set up in rural communities all over the nations, especially at highly populated areas (Inyang, 2013; World Bank, 2005).

Kano state with the highest numbers of population in Nigeria has a total of 29, 204 registered small scale industries (CAC, 2012), and has been the terminus of trade with other African regions and the Arab world for many centuries. The state provides employment for local people besides attracts peoples from neighbouring countries too. It contributes 5.05% to the country's GDP (Inyang, 2013). Therefore, research into this important sector in finding out its practices and conduct of ethics and social responsibility. The following subsection discusses SMEs and BSR.

2.5 SMEs and BSR

Understanding the SMEs and its contribution to the economy is not complete without identifying the still unresolved question of what really constitute a small business. There is no specific and universally accepted definition of SMEs. Definition depends on the country's stage of development, policy, objectives, and administrative pattern (Beng, 1988).

This definition varies as each country embraces different criteria that best suit its structure and it may change over time (Waston & Everett, 1993). The Georgia Institute of Technology for example, has found at least 60 different definitions used in 70 countries, while the US Vongressional Committee has presented 700 definitions (Waston & Everett, 1993).

The Bolton Committee (1971) classified the business as being small if it's satisfied the following characteristics:

- ❖ A reasonable little contribution to the market place.
- ❖ Controlled by the owner or part owner in an individual way, and not through the medium of an official management structure.
- ❖ Self-reguled in the sense of not being part of bigger enterprises.

The World's Bank study on Malaysian industries considers the small business enterprises are those employing between 5-49 permanent workers, and the medium-sized enterprises as having between 50-199 employees (UNIDO, 1990).

In the context of Nigeria, the concepts of SMEs have been categorized by the Nigeria National Council on Industry (NNCI, 2001) as follows:

- i. Small and Medium Enterprises (SMEs).
- ii. Small and Medium Industries (SMIs).
- iii. Small Scale Enterprises (SSEs).
- iv. Small Scale Industries (SSIs).
- v. Small Scale Business (SSBs).

The focus of this study are the Small and Medium Enterprises (SMEs) as defined by the NNCI (2001) as any enterprise with a labor size of 11 – 100 personnel or total paid-up assets of above N50 million (Nigerian currency) as well as operational capital but excluding the fees of land.

The significant aspect of literature has revealed a paucity of research on the association between BSR and SMEs which necessitate establishing a conceptual framework to examine this relationship. It has been reported that BSR is not only activities of larger firms; SMEs also can prioritize BSR to attain better performance (Russo & Perini, 2010). There are many issues related to BSR, some carry high risks and reduce the benefits to the organization; as a result, some managers fear that profit may be threatened. Previous studies revealed association between innovation and commitment to BSR, perhaps this represents an issue that almost all SMEs need to adhere in their strategic planning decision (Taddeir & Dele'colle, 2012; Bos-Brouwers, 2010; Spence et al., 2007; Worthington & Jones, 2006).)

Furthermore, smaller firms are progressively giving attention on BSR actions. Through BSR, SMEs can produce new challenges for itself; stimulates latest way of making profit and creativity, since the objectives of business is to provide avenue that offer better performance (Taddeir & Dele'colle, 2012; Moore & Manring, 2009; Russo & Tencati, 2009).

Similarly, the size of firms sometimes influences their commitment to BSR. Apart from that, BSR might be influenced by location, culture and history. However, some studies reveal that local areas seem not to have an effect on SMEs and BSR relationships (Berger-Douce & Current, 2009; Gronum et al., 2012; Taddeir & Dele'colle, 2012). Conversely, Labelle and Saint-Pierre (2010) discovered the nature of SMEs may sometimes be different from BSR. Cultural diversity, difficulty, different laws, effective circumstances, and the issue of human rights are supplementary issues that may support a dedication to BSR (Amaeshi *et al.*, 2006; Berger-Douce, 2008; Blombäck & Wigren, 2009; Moneva et al., 2007).

A recent study by Efiog *et al.* (2013) and Inyang (2013) found that there is a low level of awareness of BSR among SMEs in Nigeria; they suggest to examine more factors that may likely be able to address the issues. As previous literature on BSR or business ethics concentrated on larger firms, BSR in SMEs to date has been inadequate (Cochet & Chi vo, 2012; Spence *et al.*, 2003). Therefore, this study attempts to look at the BSR – SMEs relationship in this context, which has been scarce in previous research. The following subsection discusses BSR practices in Nigeria.

2.6 BSR Practices in Nigeria

Many businesses in Nigeria confuse their BSR actions with those associated to branding or marketing, which can take them to high-quality and improved business operation (Abiodun, 2012; Amaeshi *et al.*, 2006, Okoye, 2009). BSR in Nigeria can be designed in the direction of addressing social economic improvement, (poverty alleviation, provision of health facilities, infrastructures expansion learning etc), and may likely be influenced for example by collectivism and contributions (Abiodun, 2012; David, 2012). This may not necessarily imitate the accepted western benchmark/prospect of BSR (i.e, customer safety, reasonable business, change in weather condition, and socially responsible investment) (David, 2012). However, BSR today goes further than the usual donating funds to charitable events at the end of each fiscal year (David, 2012).

Furthermore, trends have started change as more and more big and successful businesses are recognizing the need to practices BSR in a much more organized and official way. Many can show in their records the amount exhausted for philanthropic contributions (Phillips, 2006). The Nigerian government on its part through the NEEDS policy (National Planning Commission 2004) defines the role that private sectors are expected to play, to become more positive in providing job prospects, and improving the standard of living (Abioudun, 2012; David, 2012).

In addition, previous research has recorded that the larger the return received by a business in Nigeria, the smaller the amount they spend on BSR practices (Abioudun, 2012). This implies that Nigerian organizations continued existence and capability to create revenue in the future may perhaps be in jeopardy as different stakeholder are largely pressurize their continuation if not act on BSR. However, Nigerian social responsibility is focused on sustaining better business performances, but organizations in the nation have not actually engaged in BSR which has an implication for the continued existence of these companies. Moreover, several suggestion have been offered to policy maker in Nigeria to design a framework for greater priority to BSR, yet these is not achieved (Abioudun, 2012; Amaeshi *et al.*, 2006, Okoro, 2012). Most of the Nigerian industries have identify their BSR effort only to disclose the minds of those who perceived it as being interested in protecting their personal gains at the expenses of society.

Despite all these efforts many researches on BSR in Nigeria mainly focused on multinational companies (Abiodun, 2012; Adegbite & Chizu, 2011; Amaeshi *et al.*, 2006; David, 2012; Okoro, 2012; Opara, 2010) The lack of consensus among the previous researches creat on needs to investigate ethical and socially responsible actions among smaller business. In addition, there are huge disparities in the amount of previous researches on BSR and ethics between big and small businesses. Little is known about indigenous companies with regards to BSR which is the main issue that this research addresses. The following subsection discusses organizational commitment to BSR.

2.7 Organizational Commitment

Commitment is regarded as an employee's principles towards business objectives and standard. Organizational commitment has become the center of attention and substantial interest for researchers over a long period of time, more specifically its noteworthy effect on job attitudes like presence, absence, and turnover intentions (Ahmad, Veerapandian & Ghee, 2011; Gorondutse & Hilman, 2013d; Lokand & Crawford, 2001; Rangriz & Mehrabi, 2010). In addition, Porter, Steers, Moeday, and Boulian, (1974) explain organizational commitment: as an articulated principle in and recognition of the organization's aims and standards, a promptness to exercise substantial endeavor in respect of the organization, and an expressed wish to stay in the business. Allen and Meyer (1990) categorized organizational commitment into three classifications; affective, continuance, and normative commitment.

The affective part of organizational commitment deals with the workers psychological link to, recognition with, and participation in the business. Continuance commitments see commitment with respect to the expenses that the workers associated with condition of the business. Meanwhile, normative commitment also refers to the workers view on commitment to continue with the organization (Rangriz & Mehrabi, 2010; Allen & Mayer, 1990). Adding Hofstede's cultural model and Meyer and Allen's (1984) organizational commitment components, Cohen (2000) established that the cultural scope is an important consequence of many bases and central point of commitment (Gorondutse & Hilamn, 2013a). The authority area is connected to normative commitments. The

improbability evasion element is also associated with continuance commitment. Additionally, it is also revealed that the communalism scope is connected to the three types of commitment (affective, continuance and normative) (Gorondutse & Hilman, 2013a).

Commitment for being an ethical organization must be in the mind of not only the public alone, but also must be in the business plan of actions (Wood, 2002). BSR is significant to firms in all environments, it is important for rising nations like Nigeria, where limited funds for meeting the ever increasing aspirations and variety of its populations, make the practice of sustainable growth more demanding (Abiodun, 2012; Amaeshi, Adi, Ogbechi, & Amao, 2006; David, 2012).

Academics and practitioners have been concerned with organizational commitment for many years. This concern is a result of its association with other vital aspects of worker's actions and organizational performances. For example, organizational commitment is regarded as a factor that influences work performance and turnover (Ahmad *et al.*, 2011; Gregson, 1992; Porter, 1974; Steers, 1977; & Porter, Crampton & Smith, 1976). In addition, Porter (1974) and Steers (1977) recommend that the community as a whole gain's from workers of an organization commitment which is suitable in driving for greater output (Ahmad *et al.*, 2011; Rashid, Sambasivan & Johari, 2003).

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Conversely, an organizational commitment has been articulated from different academic circles, mostly in organizational behavior. For example, it has been established that organizational commitment link to task performance, and turnover (Ahmad *et al.* 2011; Huang, Cheng, & Chou, 2005), and a linked to inspiration and participation (Farrell & Rusbult, 1981). Huang *et al.* (2005) posit that organizational commitment and work pleasure are the bases of turnover intentions and organizational performance. However, there are researchers who recommend that commitment is linked to costly actions such as non-attendance (Sambasiran & Johari, 2003) and probability of turnover (Huang *et al.*, 2005; Kashefi *et al.*, 2013; Rangriz & Mehrabi, 2010). These disparities can be as result of diverse ways in approaching organizational commitment.

Organizational commitment is a significant variable that lead to improving performances Kashefi *et al.*, (2013); it is seen as the relationship between an individual and his employers; a dedicated concerned person will surely remain a full member of an organization (Rangriz & Mehrabi, 2010). It has been argued that organizational commitment is very vital for individual and organizational performance (Ahmad *et al.*, 2011; Rangriz & Mehrabi, 2010). Previous research believes that stronger commitment is highly beneficial to a unit of performances (Gregson, 1992; Huang *et al.*, 2005; Rangriz & Mehrabi, 2010). High commitment to employee can also lead to lower turnover and hence, to higher performances. In contrast, studies have shown their concern about potentially insignificant impact of high organizational commitment, Gregson (1992) states that strong organizational

commitment may likely lead to insignificant effect on both individual and organizational performances in a manner which decrease initiative and resistances to change, unconformity and in active use of human resources.

Rashid *et al.* (2003) studied the effect of organizational commitment and corporate culture on performance. The result shows that there is a positive association between commitment and corporate culture and all have an effect on financial performance. Also, Ahmad, Veerapandian & Ghee, (2011) found that person –fit (ability of an individual) has a considerable intervening effect on the association between organizational culture and organizational commitment. Organizational commitments have a strong effect on organizational performances outcome of an organization (Rangriz & Mehrabi, 2010). Hence, it can assume that organizational commitment is necessary for organizations.

Several scholars like Chew and Chan, (2006) argue that organizational commitment influence organizational performance; others hold the opposite side of the argument. For example, Ambrose *et al.*, (2008) observe that it is difficult to evaluate effectiveness of an organization, they are of the view that commitment is a significant variable that influence organizational performances. Rangriz and Mehrabi, (2010) stress that there is sufficient evidences in the literature that shows the influence of commitment on organizational performance. Additionally, it has been observed that organizational commitment has a positive link with

organizational performances (Ambrose, *et al.*, 2010; Huang *et al.*, 2005; Presslee, Vance & Webb, 2013). In addition, commitment to being socially responsible must be not only through lip service but through real actions (Wood, 2002).

Looking at the previous studies, it seems that there is link among firm's culture, commitment and performance. Therefore, both of these links have been used as a self direct associations rather than a mediating or indirect relation one. However, this has yet to be examined. Other studies have investigated only the affective component of organizational commitment (Rashid *et al.* 2003; Ambrose, Arnaud, & Schminke, 2008; Chew & Chan, 2006), or all the three categories as well as total organizational commitment (Ahmad *et al.*, 2011; Huang, Cheng & Chow, 2005; Gorondutse & Hilman, 2013d). On the other hand, this study has selected this progress, and uses organizational commitment as a unilatent variable with nine items out of 15 items due to the fact that the nine items have the most face validity in the opinion of researcher (Ahmad *et al.*, 2001; Yousef, 2003). The approach adapted in this study is from the perspective of an organization rather than the employee.

The above discussion gives a better understanding on the theoretical perspective of commitment in relation to the objectives of this research that commitment is important for organizational culture as well as organizational performance (Ahmad *et al.*, 2011; Rashid *et al.* 2003). This research postulates the following hypotheses:

H1a: Commitment to BSR is significantly related to organizational performance (OP).

H2a: Commitment to BSR has significant influence on organizational culture.

The following subsection discusses Trust of BSR.

2.8 Trust of BSR

Trust refers to ideas that BSR can influence customer decision which will result in benefits to the organization (Tian, Wang, & Yang, 2011). A trust that is embeded in BSR plan may enhance organizational performance (Aqueveque, 2005; Pivato *et al.*, 2008; Aqueveque, 2005; Osterhus, 1997). In addition, trust is regarded as a social bond that can hold diverse types of organizational structures together (Atkinson & Butcher, 2003; Hilman & Gorondutse, 2013b; Puusa, & Tolvanen, 2006; Tian *et al.*, 2011). Trust is an important component in helping organization to achieve its goals. It provides togetherness and gives individuals a feeling of emotional safety (Puusa & Tolvanen, 2006; Pivato *et al.*, 2008). Trust can also be perceived as an interpersonal and a communal event, trust is viewed at three levels within an organization: group, system, and individual level (Puusa, & Tolvanen, 2006 and Shamir & Lapidot, 2003).

For the group level, trust refers as a combined event. Teams stand for group principles and identities (Puusa, & Tolvanen, 2006; Shamir & Lapidot, 2003). Given the interactional histories, information is useful in achieving goals, inspiration, and intentions of others. As trust is frequently believed to direct behavior, exchanging universal values assist group members to envisage each other's and leaders' actions in the future. Trust principles and shared aims decrease uncertainty, but also decide which types of behaviors', situations or individuals are advantageous or objectionable (Atkinson & Butcher, 2003; Gillespie & Mann, 2004; Puusa, & Tolvanen, 2006). Teams also have rule-based trust. Set of laws, both official and unofficial, include the information that members have been associated with it (Puusa, & Tolvanen, 2006).

At organizational level, trust is institutional and based on roles, systems or status, from which inferences are stressed about the credibility of an individual (Puusa & Tolvanen, 2006). Trust can be seen as given and based on the position that a person acts. Lastly is individual level; trust is based on interpersonal communication (Atkinson & Butcher, 2003, Puusa, & Tolvanen, 2006). Trust can be defined as a capability of a person to be susceptible to the behavior of another person. This is based on the anticipation that the other will fulfill promise and accordingly. Trust in organization refers to the universal consideration of an organization's credibility as perceived by the workers and community (Puusa & Tolvanen, 2006).

In addition, there is a belief in literature and in company practices that BSR is based not merely on principles, but also on progressive egotism (Hilman & Gorondutse, 2013b; Perrini *et al.*, 2010; Smith, 2003). The stakeholder theory believes a firm's social accountable actions will make its business more attractive than its rivals, primarily in the aspect of economic performances, market reflection, and customer retention (Perrini *et al.*, 2010; Uslaner, 2010). Trust also has immediate consequence on organization social performance's (Mohr & Puck, 2013; Pivato, Misani & Tencati, 2008; Tian, Wang, Yang, 2011), and the absence of trust may prevent future investment or even lead to withdrawal of an existing investment (Uslaner, 2010). Previous researchers used trust of BSR with regards to consumer's commitment towards product and services provide by firms (Hansen *et al.*, 2011; Tian *et al.*, 2011).

The literature of BSR is not based on ethics only, but also on progressive self-interest (Donaldson & Preston, 1995; Hilman & Gorondutse, 2013b; Smith, 2003). There are reasons to consider that BSR can also affect organization as well as consumer trust. Bhattacharya, Korschun and Sen (2009) stated that BSR along with other factors could positively enhance the association between a firm and its consumers. It is also essential to identify that BSR is a multidimensional idea as it deals with many diverse issues (Hilman & Gorondutse, 2013b; Perrini *et al.*, 2010).

BSR, programs are meaningless unless a mutual trust exists in an organization (Hilman & Gorondutse, 2013b; Perrini *et al.*, 2010). Jafaei, (2011); Fard, Zahed-Babelan & Sattari, (2013) found trust has significant effect on organizational culture. Conversely, the function of trust as significant determinant, that effect organization performance is derived from number of studies that examined the role of trust on performance of different types of inter-firm relationships. Many studies provide empirical evidence that trust is associated with the success of equity and joint ventures business (Luo, 2008; Park and Ungson, 1997) and buyer-supplier relationships (McEvily and Zaheer 2006; Zaheer *et al.* 1998). Some researchers have further tested the relationship by including mediating variables in the relationship between trust and performance (Mohr & Puck, 2013). For example, Zaheer *et al.* (1998), suggested that trust leads to higher performance via a reduction in transaction costs, although their empirical findings support a direct influence of trust on performance (Mohr & Puck, 2013).

Trust of BSR level does not have direct effect on performance only (Ellen *et al.*, 2006; Mohr & Puch, 2013; Osterhus, 1997; & Perrini *et al.*, 2010), but organizational culture as well (Jafaei, 2011; Fard, Zahed-Babelan & Sattari, 2013). However, this study is different from others as it studies trust of BSR from organizational perspective. The items of trust of BSR are adapted from few researchers' work (Ellen *et al.*, 2006; Osterhus, 1997& Tian *et al.*, 2011). This is because the scale of three items has adequate reliability and validity with three items. Therefore, in view of the above evidence that supports the importance of trust to

organizational culture and performance, this research postulates the following hypothesis:

H1b: Trust of BSR is significantly related to organizational performance.

H2b: Trust of BSR has significant influence on organizational culture.

The following subsection addresses perceived ethics.

2.9 Perceived Ethics

Ethics represent a set of moral standards, different from laws, that takes into consideration the consequences of actions (Singhapahdi, Kraft, Vitel & Rallapalli, 1995; Valentine & Fleischman, 2008). The concepts ethics is also diverse (Stanaland, Lwin, Murphy, 2011; Svensson & Wood, 2008). It is similar to rules of appraising what is correct or incorrect, good or bad, of individual or firm's behavior in business (Svensson & Wood, 2008). Ethical standards should not be compromised because of the organization's requirements (Valentine & Fleischman, 2008).

Business organization that is trying to achieve their objectives must operate ethically in the society (Stanaland *et al.*, 2011). Ethical organizations embrace ethical behavior in pursuing their organizational objectives and performances (Svensson & Wood, 2008). Sellers is certainly can exert pressure on customers and show an opportunistic behavior (Babin, Griffin & Boles, 2004; Svensson & Wood, 2008) in order to generate quick financial benefits, but this unethical conduct can affect

customer satisfaction (Babin *et al.*, 2004), and in long term will lead to poor performances (Babin *et al.*, 2004; Stanland *et al.*, 2011).

Ethics related programs are likely to enhance organizational performances, and businesses participation in BSR behavior. It should be able to persuade employees to work more ethically (Valentine & Fleischman, 2008). For instance, the dissonance theory suggests that workers' understanding decreases disagreement and increases happiness when a company is ethical (Cacioppe *et al.*, 2008; Hilman & Gorondutse, 2013b; Viswesvaran, Deshapande & Joseph, 1998). The same applies when communally accountable policies are initiated by a firm to enhance welfare and the wishes of major stakeholders (Clarkson, 1995; McWilliams & Siegel, 2001; Valentine & Fleischman, 2008). Such hard work constitutes attractive goals for BSR, which should improve the association and desire of business and wishes of workers (Cacioppe *et al.*, 2008; Tuzzolino & Armandi, 1981).

It is said that perceived ethics have a positive outcome on the firm performances (Tian *et al.*, 2011; Sen & Bhattacharya, 2001; Valentine & Fleischman, 2008). Previous studies appear to maintain this assertion. The theory of reasoned action states that perceptions influence individual attitude and result in willingness to act (Fishbein & Ajzen, 1975); such perceptions of ethics is embedded by incertified principles which clearly lead to ultimate commitment to BSR. Singhapakdi, Kraft, Vitel & Rallapalli (1995), through the American Marketing Association described

ethical principles as connected with firm's performance. Furthermore, perceptions of corporate social awareness and accepted practices of BSR could also enhance more of universal thinking about social performance (Gorondutse & Hilman, 2013a).

In contrast, Frooman's (1997) who analyzed 27 incident in which related to socially irresponsible reveals that their objectives would be negatively affected. Another study found that perceived ethics has positive effect on corporate capability (Curras-perez, Bigne-Alcaniz, Alvarado-Herrera, 2006; Lin, Chen, Chiu, & Lee, 2011). Furthermore, there has been a substantial argument on the association between BSR and business performance measures. Carroll and Shabana (2010) reviewed the literature on the business case for BSR and concluded relationship between BSR and corporate financial performance does exist (Jin, Drozdenko & Deloughy, 2013). Mackey *et al.* (2007) argue that businesses should sometimes invest in socially responsible behaviors even though those behaviors might reduce the business liquidity. Organizations might still benefit or experiencing on from an increase of market value despite spending on social programs (Jin, *et al.*, 2013).

Margolis and Walsh (2003) reviewed 127 empirical researches between 1972 and 2002 on the possible relationship between BSR and financial performance, concluded there is adequate evidence to support a positive association between BSR and financial performance and little evidence of a negative relationship. In addition, Kurucz *et al.* (2008), point out four possible sources to performance in relation to

BSR activities: (1) cost and risk reduction, (2) improving legitimacy and reputation, (3) building competitive advantage and (4) creating win–win situations through synergistic value creation.

Carroll and Shabana (2008) suggest that firms should attempt to align BSR activities with their performance objectives (Jin, *et al.*, 2013). Meanwhile, Byus *et al.*, (2010) compared sample of US firms on the Dow Jones Sustainability Index with firms that are not in the index and found out firms in the index had better gross profit margin and higher return on assets than those not in the index. In spite of the evidence for a positive BSR and financial association, Karnani (2011) argues that ‘doing well by doing good’ is a fantasy. While this result is probable in well establish markets, but not in turbulent markets which frequently associated with numerous social problems. ‘Doing well’ and ‘doing good’ are in conflict in such turbulent market and consequently it is necessary to regulate corporate behavior to achieve such social objectives. In addition, perceived ethics is related to organizational culture; and it is more influential than everything else in the organization (Douglas *et al.*, 2001; Sinclair, 1993).

Therefore, based on the above, mixed findings this study in particular investigated the relationship between perceived ethics and performance especially among SMEs which has low empirical evidences. The scale has six items adapted from Curras-perez *et al.*, (2009) and Lin *et al.*, (2011) which has good degree of validity and

reliability measures above recommended values. Therefore, this leads to the following hypotheses:

H1c: Perceived ethics is significantly related to organizational performance.

H2c: Perceived ethics has significant influence on organizational culture.

The following subsection discusses organizational culture.

2.10 Organizational Culture

A part from the perceived ethics, organizational culture is another variable which has been in literature for numerous years. It refers to members of an organization sharing values and beliefs over time and the result produces behavioral norms that can be accepted in providing a solution to a particular problem (Daft, 2005; Goffee & Jones, 1998). Organizational culture is a collection of beliefs, assumptions, values, attitudes, as well as behavior of its member. It can become as valuable sources for creation of advantages, development of guidelines, creation of solutions for issues faced by an organization; and drivers for achieving objectives (Cameron & Freeman, 1991; Daft, 2005; Smircih, 1983).

Wallach (1983) and Ahmad *et al.*, (2011) considers organizational culture as a blend of three components; bureaucratic, innovative or supportive. Organizational culture is intrinsic, unseen, built-in, and informal perception of an organization in which directs the actions of person towards organizations attitude and its behavior. Galbreath (2010) reveals that organizational culture has a significant effect on

performance. He also indicated that firms with clear organizational cultures have better chance to improve business performance. The study also indicated that organizational culture is vital in shaping overall performance of a firm.

In a different scenario, Sadri and Lees (2001), and Larry, Morgan, and Douglas, (2011) argued that a positive and high level of organizational culture can make an average employee become high performance employee, whereas a neagtive and weak culture may make outstanding individual perform less efficiently and thus leads to ineffectiveness. Thus, organizational culture has an active role and direct effect on organizational performance of an organization (Al-bahussi & El-garaihy, 2013). Denison (1990) also discovered that organization with supportive culture recorded superior performance above other cultural types.

Van der Post, de Conning & Smit (1998) also investigated the association between organizational culture and profitability for some companies in South Africa. The outcome reveals that organizational culture has significant association with profitability of business. Lee and Kelv, (2004), Rashid *et al.* (2003) and Larry *et al.*, (2011) in their separate studies on corporate culture and organizational performances found that culture has an effect on organizational performances. Larry, Morgan, & Douglas (2011) also found that there is a significant association between product market strategies – organizational culture and cash flow return on assets (CFROA) performances. Apart from that, Al-bahussi and El-garaihy, (2013) also found

positive relationship between organizational culture and performance among large organization in Saudi.

Van der Post, de Conning & Smith (1998) and Rashid *et al.* (2003) stress that there is ample evidence in the literature in supporting the effects of organizational culture on performances. Based on the above literature, it is appropriate to assume that organizational culture occupies a vital position in making organizational achievement. Several literatures have agreed with the assumption that organizational culture has positive relationship to organizational Performance. Many leading business realize new ways to evaluate their intangible properties such as staff having a true “live” of company cultural values, and belief which can accelerate their performance (Al bahussin & El- garaihy, 2013).

What makes this study feasible is that the organizational culture is perceived as a mediating variable which previously has been regarded as a self-determining factor rather than a mediator (Berrone, Surroca & Tribo, 2007; Fang *et al.*, 2010; Pelozo & Papania, 2008; Beneke *et al.*, 2012; Perrini & Castaldo, 2008; Pivato, Misani & Tencati, 2008). Organizational culture scale in this study is adapted from Ahmad *et al.*, (2011); Larry *et al.*, (2011) and Wallach, (1983) specifically it has unidimensional construct with 24 items, and several researches have tested the instrument and confirmed its validity and reliability (Ahmad *et al.*, 2011; Larry *et al.*, 2011; Rashid *et al.*, 2003 & Wallach, 1983).

Having discussed on organizational culture and its relationship to performance, several studies have revealed that organizational culture is also related to commitment, trust and perceived ethics (Ahmad et al., 2011; Douglas et al., 2001; Fard *et al.*, 2013). Therefore, it is possible for organizational culture as a mechanism or process to mediate the relationship between BSR and performance. Using the stakeholder theory (Freeman, 1984) and the legitimacy theory (Gray et al., 1996), theoretical explications have extensively been made as to establish a possible link between BSR and organizational culture, and between organizational culture and performance. Therefore, this leads to the following hypotheses:

H3a: Organizational culture has significantly influence on organizational performance.

The Mediating Hypotheses:

H4a: Organizational culture significantly mediates the relationship between commitment to BSR and organizational performance.

H4b: Organizational culture significantly mediates the relationship between trust of BSR and organizational performance.

H4c: Organizational culture significantly mediates the relationship between perceived ethics and organizational performance.

The following subsection discusses organizational performance.

2.11 Organizational Performances

The concept of firm performance needs to be distinguished from the broader construct of organizational effectiveness. Venkatraman and Ramanujan (1986) offered an enlightening figure of three overlapping concentric circles with the largest representing organizational effectiveness. This broadest domain of organizational effectiveness includes the middle circle representing business performance, which encompasses the inner circle representing financial performance. Organizational effectiveness covers other aspects related to the functioning of the organization such as absence of internal stress and faults, engagement in legitimate activities, resource acquisition and accomplishment of stated goals (Cameron, 1986a; Gronum, Verneye & Katselle, 2012).

In addition, business performance, or firm performance in this research, is a division of managerial effectiveness that comprises operational and financial outcomes (Gorondutse & Hilman, 2013a). Even though, this theoretical suggestion of Venkatraman and Ramanujan (1986) is extensively regarded to be a broad concept by strategic management scholars (Carton and Hofer; 2006; Richard, Devinney, Yip, & Jonhson, 2009), however, the investigation of operationalizations of company business performance used in statistical studies reveals a broad assortment of mechanisms covering this realm partly and in an unequal way. Further, Combs, Crook, and Shook (2005) examined all research available in the *Strategic Management Journal* between 1980 and 2004 and acknowledged 238 statistical studies and had captured 56 dissimilar indicators. In majority of the research,

financial performance was used (82%) with accounting dealings of profitability has a good number common choice (52%). Gorondutse & Hilman, (2013a); Richard *et al.*, (2009) and Carton and Hofer (2006) provide a similar picture, after analyzing different journals in other period of time.

A firm's success goal depends almost on increasing corporate sustainability (Maltz *et al.*, 2003). Previous researches often use financial and market indicators such as customer satisfaction, stakeholder relationship, sales growth, markets share and profitability and other short-term financial measures (Wong & Wong, 2007; Prajogo, 2007). Hanvanich, Sivakumar, Tomas, and Hult (2006) improved on organizational performance measure pattern that integrates firm's comprehensive performance and creativity to evaluate the overall organizational performance.

Combs *et al.* (2005) argue that the operational performance as described by Venkatraman and Ramanujan (1986) is most superb view on financial performance. Two other aspects must be considered when attempting to define performance: its time frame and its reference point. It is possible to differentiate between past and future performance; past superior performance does not guarantee that it will remain superior in the future (Carneiro, 2005 & Gronum *et al.*, 2012). Another issue related to time is the duration of the interval (short, medium or long term). The reference against which performance is being measured, *e.g.* the industry average, the results

of main competitors, an established target, or past performance is also important (Carneiro, Silva, Rocha & Dib, 2007).

Comparisons in relation to targets and past performance indicate efficiency and evolution of a company. However, it is not suitable to compare companies of different sizes and industries. Using the average value of the industry or main competitors as base line would indicate companies' competitive position and may be more useful for strategic analyses. The definition of firm performance and its measurement continues to challenge scholars due to its complexity. For more than a decade, numerous scholars have recommended that performance dimension should reflect on both financial and non-financial measurement test Gronum *et al.*, 2012; Kaplan & Norton, 1992; Hilman, 2009;; MacDougall & Pike, 2003).

2.11.1 Financial and Non- Financial Performance

Previous studies have indicated suitability of using non - financial are better measures in rating the performances of firms on the basis of competitive advantages (Gronum *et al.*, 2012; Hilman, 2009; Hilman & Mohamed, 2011; Kaplan & Norton, 1992; MacDougall & Pike, 2003; Talluri & Yoon, 2000). Furthermore, it is virtually impossible to provide a generic list of measures which can be applied to all SMEs or, at least all firms in the same sector (Brown & Laverick, 1994; Pawar & Driva, 1999; Morgan & Daniels, 2001). However, there are situations where financial measures alone are applied (Bhimani, 1994; Richard et al., 2009) while in another instances

where great emphasis is put on the use of other indicators (Westra, Srikanth & Kane, 1996; Venkatraman & Ramanujan, 1986). This means that performance measurement should make up both for picture and understanding what entails, and a good measurement system reflect strengths a firm (Barnett, 2007; Carneiro, Silva, Rocha, & Dib, 2007; Keegan, Eiler & Jones, 1989).

Empirical researches show diverse outcomes on the fundamental associations between BSR and firm performance. A study by Margolis, Elfenbein and Walsh (2008) found a modest correlation, they argued that causality is something to be expected and direct from corporate financial performance (CFP) to BSR. The most popular view of previous researches used financial and non-financial indicator to measure performances (Gorondutse & Hilman, 2013a; Gronum *et al.*, 2012; Murphy, *et al.*, 1996; Hilman, 2009; Kaplan & Norton, 1992; MacDougall & Pike, 2003; Talluri & Yoon, 2000). However, debates on which performances measurement to use continues as not all the criteria are relevant to all settings (Cameron, 1986; Santos & Brito, 2012).

Therefore, in this study the perceived measure of financial and non-financial performance were established within the objective measure of performance (Gorondutse & Hilman, 2013a; Dess & Robinson, 1984). Bontis (1998) and Idris, (2011) revealed that subjective measure of performance (financial & non-financial) is feasible. In relation to the above discussion this study adapts a performance index

used by many studies on business strategies which consist of indicators for both financial and strategic performance (Hilman & Mohammed, 2011; Kaplan & Norton, 1996).

The dimension represents organizational performance (dependent variable): (1) return on sale (ROS); (2) return on investment (ROI); (3) market share; (4), sales growth; (5) innovation and learning perspective; (6) customer perspective and (7) internal business perspective. Based on previous research as it can be assumed that a conceptual model linking constructs such as BSR Commitment, Trust of BSR Perceived Ethics, and Organizational Culture and SMEs performances are few or no empirical evidence since to date previous research have recorded mixed results and direct relation. To this end, this study intends to address these issues. The following subsection discussese the relationship between BSR and organizational performance.

2. 12 BSR and Organizational Performance

There is ongoing argument about the relationship between BSR and organizational performances. Some look at stakeholder pressure as basis to compete with one another (Barnet, 2007). Describing the association between BSR on organizational performance is significant as managers are trying to balance stakeholder's expectation of the business to act in responsible way as against firm's financial performance (Bartels & Pelaza, 2008; Dincer, (2011); McGuire, Sundgren & Schneeweiss, 1988; Rettab, Brik & Mellahi, 2009).

Previous studies produced numerous findings on the association between BSR and organizational performance; some revealed it to be positive (Griffin & Mahon, 1997; Peloza & Papania, 2008; Porter & Vander linde, 1995; Preston & V' Bannon, 1997; Rettab, Brik & Mellahi, 2009 & Verschoor, 1998) others negative (Meznar et al., 1994; Vance, 1975 & Wright & Ferris, 1997) and mixed or a non-significant relationships (Berman *et al.*, 1999; Cochran & Wood, 1984; Graves & Waddock, 1997; Hillman & Kein, 2001 & McGuire, Sundegren, & Schneeweis, 1988).

However, as noted earlier we cannot generalize the above finding because all the results comes from the US and Europe instead of developing nations. This is in line with the firm's system theory which indicates that nations contain diverse business systems (Whitley, 1992). This create a need for a study to investigate the relationship between BSR and organizational performance among developing nation particularly Nigeria. Specifically to examine the effect of Commitment to BSR, Trust of BSR and Perceived Ethics on Performance of SMEs. The following table shows previous results on the relationship between BSR and organizational performances.

Table 2.1

Previous Findings

Positive relationship between BSR and organizational performance	Negative relationship between BSR and organizational performance	Mixed relationship between BSR and organizational performance
Bowman, 1976; Clarkson, 1988; Cortrill, 1990; Dooley & Lerner, 1994; Russo & Fouts, 1997; Dowell <i>et al.</i> , 2000; Fang <i>et al.</i> , 2010; Brik <i>et al.</i> , 2011; Retab <i>et al.</i> , 2009.	Meznar <i>et al.</i> , 1994; Vance, 1975; Wright & Ferris, 1997; Margolis & Walsh, 2003; Berrone <i>et al.</i> , 2007.	Berman <i>et al.</i> , 1999; Cochran & Wood, 1984; Hillman & Keim, 2001; McGuire <i>et al.</i> , 1990.

Sources: The researcher

2.13 Summary

The rationale of this section is to examine the underpinning theories and integrate recent literatures on the issues of BSR and SMEs Performances. The literature clearly indicates very few studies have been done in this context. Therefore, this study offers new perspectives for firms in their decision making process. The following chapter 3 discusses conceptual framework, and hypotheses of the study. Meanwhile, Appendix (A) provides a summary of some key articles reviewed.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Having discussed the related literature on several BSR dimensions (commitment, trust, perceived ethics, organizational culture and performance) in previous chapter, this chapter specifies and discusses the research model, hypotheses and appropriateness of research design and techniques used. The selection of the research design is strongly guided by specific assumptions about the research conducted. The chapter starts with the introduction and detained discussion of research design, population and sampling techniques, data collection process and data analysis strategies.

Furthermore, the conceptual model of BSR dimensions and their effect on organizational performances are hypothesized. The framework has five major constructs which led to a set of formal hypotheses. In particular it makes clear the relationship between organizational performance (dependable variable) and commitment to BSR (independent variable 1); trust of BSR (independent variable 2); perceived ethics (independent variable 3); and organizational culture (mediating variable 1).

3.2 Nature and Philosophy of this Study

In general, researchers have their precise worldviews about the natural history of tough social realism, or information based on their own philosophical paradigm. Hence, linking research and philosophical direction helps to clarify a researcher's theoretical framework (Cohen & Vigoda, 2000). Positivism, subjectivism or realism postulate that research is expected to come across an existing reality or truth in the social environment (Creswell, 1994). Furthermore, positivist paradigms recommend that social phenomenon can be considered as a unit, in as much as possible in the same ways that natural scientists treat physical phenomenon (Creswell, 1994). In line with this, he further suggested that the researcher is anticipated to be independent of the research and, thus, employ methods that take advantage of objectivity and reduce the influence of the researcher in the research process.

Creswell (1994) view is argued by different scholars (Neuman, 2003; Marczyk, DeMatteo & Festinger, 2005), that (1) empirical facts exist independently from personal views, ideas or emotions. The empirical facts are collected in a significance free manner; (2) the analysis of social reality is statistical in nature; (3) empirical facts are governed by laws of cause and effect; (4) the adopted methodology is highly structured and, thus, allows for replication, whether by the same researcher, or others; and (5) the social reality patterns are stable and, therefore, knowledge is additive. Hence, the underpinning philosophy for this study is positivism. Particularly, this study is a quantitative one. Quantitative research is defined as social

inquiry that adapts the use of statistical and empirical methods and empirical conclusion (Cohen, 1980).

Additionally, quantitative research is defined as a kind of research in which phenomena are explained by collecting and analyzing arithmetical data using statistically based methods (Creswell, 1994). Thus, this study is quantitative in nature because it employs the use of measurements (i.e. the use of statistical tools) to understand relationships among BSR components (commitment, trust perceived ethics, organizational culture and performance. Also, this study is reliable with the requirements for quantitative research in which social reality is independently resolute using unbending guides in data collection process and analysis (Creswell, 1994). In line with that, this study has firmly complies strictly with all requirements for quantitative research as discussed in the previous sections and as demonstrated in chapter 4.

3.3 Theoretical Framework

Different researchers may have used diverse approaches or different views in attempting to solve a particular problem in different situations. Generally, most studies were conducted with various perspectives and objectives. Not much attempt has been made to examine the relationships in one research framework as in this study, in relation to the topic of this research. The variables mentioned earlier are

believed to be important factor in decision making and SMEs performance. Figure 3.1 illustrates the research framework.

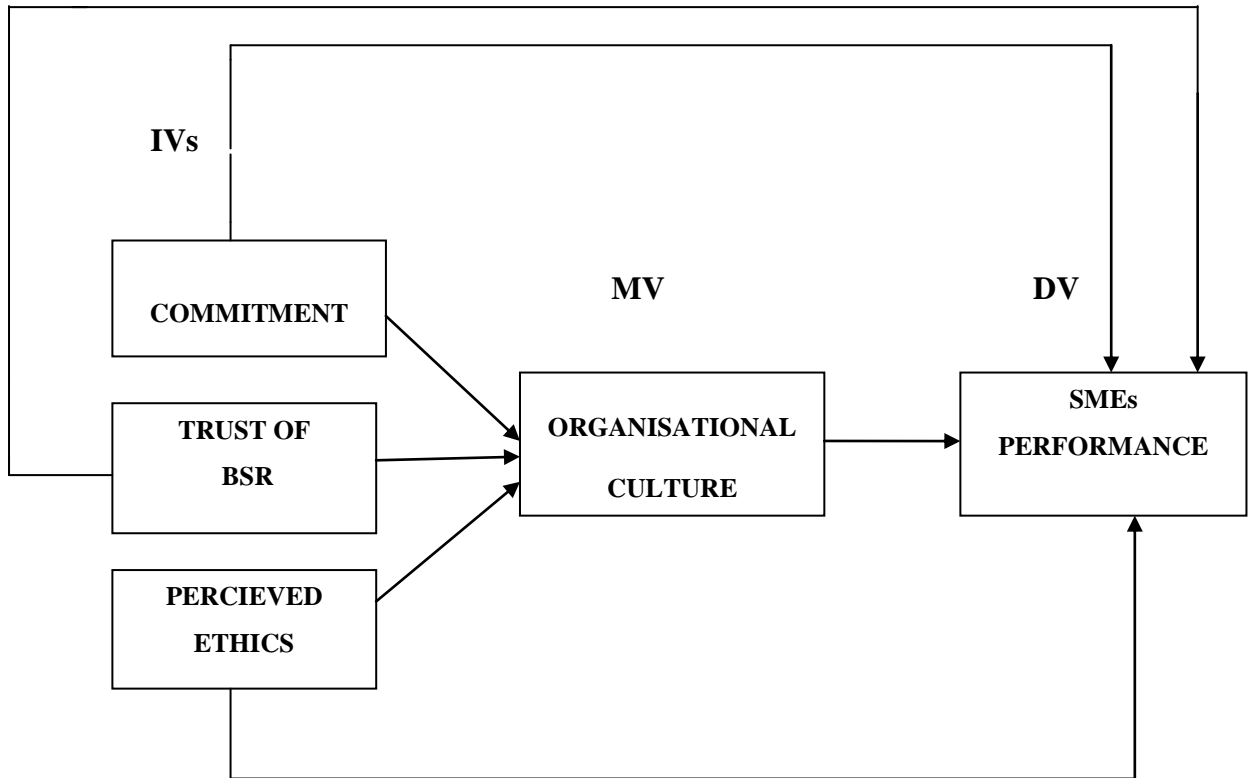


Figure 3.1
Research Conceptual Framework

3.4 Development of Hypotheses

The focus of this study is to examine the effect of BSR on performance of SMEs. The main objective of this research is to identify the relationship between BSR factors and their effect on organizational performance either as independent variables or mediating variable. As mentioned earlier, the variables used in this study are: (1) Commitment; (2) Trust of BSR; (3) Perceived Ethics; and (4) Organizational

Culture. Figure 3.2 illustrate the hypotheses of this research framework followed by a summary of hypotheses statements.

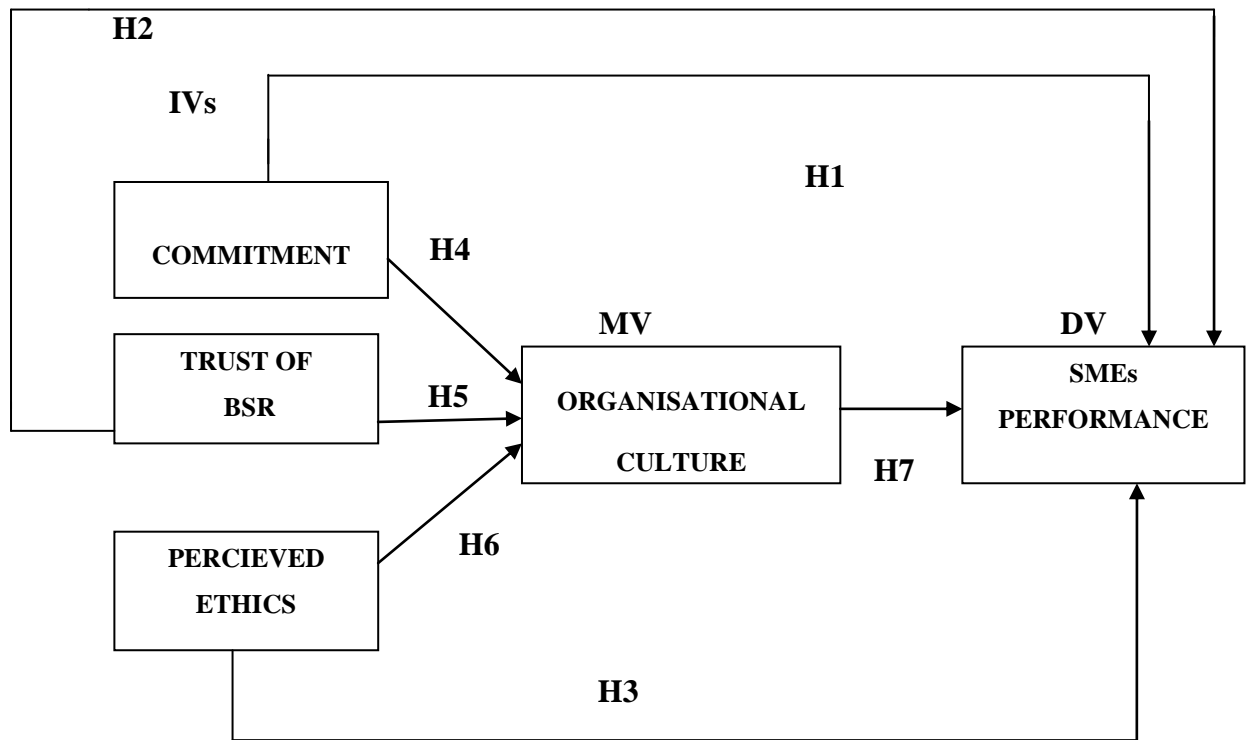


Figure 3.2
Research Hypotheses Framework

Hypothesis H1: Commitment (CM) to BSR is significantly related with Organizational Performance (OP).

Hypothesis H2: Trust of BSR (TR) is significantly related with Organizational Performance (OP).

Hypothesis H3: Perceived Ethics (PE) is significantly related with Organizational Performance (OP).

Hypothesis H4: Commitment to BSR (CM) has significant influence on Organizational Culture (CU).

Hypothesis H5: Trust of BSR (TR) has significant influence on Organizational Culture (CU).

Hypothesis H6: Perceived Ethics (PE) has significant influence on Organizational Culture (CU).

Hypothesis H7: Organizational Culture (CU) has significant influence on Organizational Performance (OP).

Hypothesis H8a: Organizational Culture (CU) significantly mediates the relationships between Commitment to BSR (CM) and Organizational Performance (OP).

Hypothesis H8b: Organizational Culture (CU) significantly mediates the relationships between Trust of BRS (TR) and Organizational Performance (OP).

Hypothesis H8c: Organizational Culture (CU) significantly mediates the relationships between Perceived Ethics (PE) and Organizational Performance (OP).

3.5 Research Design

Understanding the appropriateness of a research design is a major step towards accomplishing research objectives. Yin (1989) sees research design as action plan for reaching from here to there, where “here” may be defined as the preliminary set of question to be answered, and “there” is some set of conclusion (answers) about this question.

Research design is a master plan explaining the method and procedure for gathering and analyzing the needed facts and information (Lion, 2009). Specifically descriptive research using quantitative method is the most appropriate approach as to address the said objectives. This is in line with Taneja, Taneja and Gupta (2011) where they suggested using quantitative research method instead of qualitative research method which was widely used in previous researches.

A quantitative study is regarded as an examination of common or human enquiries based on theories which comprise constructs, numbers and use of statistical tools. The outcome will enable us to know whether the theory works or not in such context of study (Creswell, 1994). Similarly, Fowler (1988) states that a survey designs can also provide a quantitative or numeric explanation of some portion of the populace (sample) through the process of data collection such as by asking people. This study also used similar approach as it best suited in addressing objectives of this research.

The study involves three independent variables (Commitment to BSR, Trust of BSR and Perceived Ethics), one mediating variable (Organizational Culture) and one dependent variable (Organizational Performance). The constructs' in the study are neither enforced nor manipulated. The main fear is more on association among constructs and capability of the independent variables and mediating variable to explain and predictive value of the dependent variable as proposed in this research framework.

3.6 Operationalization and Measurement of Variables

3.6.1 Organizational Commitment

Organizational commitment refers to confidence of an organization on its goals, standards, and a desire to remain devoted to the business. (Ahmad *et al.* 2011). Organizational commitment is adapted from previous study (Ahmad *et al.* 2011; Allen & Meyer, 1990). The questions used seven point Likert scale starting from 'strongly agree' to 'strongly disagree'. A top score of the range explains an upper scale of organizational commitment. This range is commonly used in social sciences and has tremendous psychometric properties in cross-cultural examination (Gorondutse & Hilman, 2013d; Schmidt, 2007). For this reason, organizational commitment is treated as a single variable as mentioned earlier and measured by nine questions out of the 15 items (Ahmad *et al.*, 2011; Huang *et al.*, 2005; Mowday, Porter & Steers, 1982). The measurements are chosen on the foundation of having the largest face validity in the view of the researcher.

Furthermore, this measurement scale is adapted in this study largely because the measure is reported to be the most valid instruments for measuring commitment considering the thorough test for validity and reliability it has gone through in its development process (Ahmad *et al.* 2011; Yousef, 2003). The scale's internal reliability (i.e Cronbach's alpha) was reported to be .88 (Ahmad *et al.* 2011). In addition, Ahmad *et al.*, (2011) state that the measurement scale is carefully drawn after considering the most adequate validity in the view of researcher, the measure was ascertained to be the most comprehensive commitment measure relevant for

contemporary organizations (Ahmad et al., 2011; Huang et al., 2005 & Yousef, 2003). The sample items are adapted and made clear in order to suit the environment of the study. Example of items concerning this dimension includes “My organization is willing to put in a great deal of effort beyond normally expected on the issue of BSR” and “My organization is committed to business social responsibility”. The items were measured using seven – point Likert scale as to achieve a better optimal information processing and scale reliability.

3.6.2 Trust of BSR

Trust of BSR generally refers to readiness of an organization to support the BSR agenda, and undertake fulfill obligation's with sincerity, kindness, and non-opportunistic reasons (Hilman & Gorondutse, 2013b; Blomqvist, 1997; Tian *et al.*, 2011). Previous studies reveal that managers do mix economic values and social goals and believe such approach can enhance their performance (Hilman & Gorondutse, 2013b; Blomqvist, 1997; Tian *et al.*, 2011).

An attribution of a firms BSR actions is one of the most direct determinants of organization social performance (Pivato *et al.*, 2008; Tian *et al.*, 2011), and this can positively affect successive morals and procedures in responding to BSR (Pivato *et al.*, 2008; Aqueveque,; Tian 2005; Osterhus, 1997*et al.*, 2011). Based on the above, it clearly shows that the ability of firms to trust the BSR program can significantly affect its performance. The measurement for Trust of BSR is adapted in this

research, which has three items were due to its adequate reliability and validity (Tian *et al.*, 2011) and has three items. Example of items concerning this dimension includes “My organization’s social actions are sincerely aimed at contributing to society” and “My organization’s socially responsible practices make a substantial contribution to the community”. Prominent authors of trust of BSR have employed this measurement in their studies (Ellen *et al.*, 2006; Tian *et al.*, 2011) thus demonstrating the wider use of reliability and validity measurement of instrument. The scale’s internal reliability is reported to be 0.77 (Tian *et al.*, 2011). However, this study used seven-point Likert scales instead of five – point Likert scale due to ensure consistency of measurement scale throughout this research.

3.6.3 Perceived Ethics

Organizational ethics is a firm’s commitment to ethical principles and actions. A number of businesses encourage a social and an ethical behavior/environment by establishing a significant moral standard that guide organizational members’ ethical thinking and actions (Trevino & Nelson, 2004). In addition, other businesses promote organizational ethics with codes that demonstrate ethical standards and behavioral necessities (Adams, Tashchian & Shore, 2001; Farrell & Farrell, 1998; Jin, Drozdenko & Deloughy, 2013; Valentine & Barnett, 2002, 2003). The overall aim of such conducts is to enhance workforce commitment to deliver tasks in line with ethical aspirations (Hilman & Gorondutse, 2013b; Valentine & Fleischman, 2004).

Perceived ethics which measures a firm's performance is adapted from the scale developed by Curras-perez *et al.*, (2009) and Lin *et al.*, (2011). This scale has been used by other researchers and found to be reliable (Lin *et al.*, 2011). The scale has six items, and directly capture's organization's perceptions of how strongly they view BSR. It is reported that the scale has internal reliability (i.e Cronbach's alpha) of .93 (Lin *et al.*, 2011). Furthermore, this measurement scale has been used widely by different scholar's (Curras-perez *et al.*, 2009) who endorsed its validity. The samples of items are statements like "My organization is committed to well-defined ethical principles" and "My organization is aware of environmental issue that will not affect society". Like others, this construct also used seven-point Likert scale as it appears to be optimal and enable respondents to show their stand comfortably.

3.6.4 Organizational Culture

Organizational culture is commonly referred to as organization's values, postulation, understanding, and norms that is adhered to by members of an organization and new members trained to follow (Daft, 2002). Organizational culture plays a vital role in promoting organizational success (Rashid *et al.* 2003). Although there are various ways to measures organizational culture, 24 items popularized by Rashid *et al.* (2003) and Wallach (1983) were used for this study. This is because the items were found to have adequate reliability and validity in measuring cultures at the organizational level (Ahmad *et al.*, 2011; Lok & Crawford, 2004; Li, 2004). Wallach (1983) defines three kinds of culture (a) bureaucratic, (b) innovative and (c)

supportive. Each of the three types was apportioned eight items to measure organizational culture (Wallach, 1983).

Further, this scale of organizational culture measure was used by other researchers too (Ahmad *et al.*, 2011; Koberg & Chusmir, 1987; Larry *et al.*, 2011; Lok & Crawford, 2004 & Rashid *et al.*, 2003). Hence, the scale was adapted in line with the above in order to suit the context of the research. What makes it suitable for this research is that organizational culture is commonly used as an independent variable, whereas in this study it is treated as a mediating variable as suggested by previous researchers (Beneke *et al.*, 2012; Fang, *et al.*, 2010; Pelozo & Papania, 2008; Gorondutse & Hilman, 2013a; Perrini & Castaldo, 2008; Pivato, Misani & Tencati, 2008). Specifically, this research used a single construct of 24 items (Wallach, 1983). Examples of items concerning this dimension are “My organization has procedural activities” and “My organization has structured programs”.

In addition, the measurement scale adapted in this study is due to the fact that it has been reported to be the most valid instrument for measuring organizational culture in view of the thorough tests for validity and reliability it has gone through in its development process (Rashid *et al.*, 2003; Wallach, 1983). The scale's internal reliability (i.e. Cronbach's alpha) is reported to be above .70 (Ahmad *et al.*, 2011; Larry *et al.*, 2011 & Rashid *et al.*, 2003). Apart from that, the measure was ascertained to be the most widespread organizational culture measure applicable in

current researches and work organizations (Ahmad et al., 2011; Larry et al., 2011 & Rashid et al., 2003; Wallach, 1983). Like other constructs, this construct also used the seven-point Likert scale.

3.6.5 Organizational Performances

Organizational performance in this research constitutes operational and financial results (Cameron, 1986a). This can be grouped into two major categories into two major groups: financial performance and non-financial performance (Hilman & Gorondutse, 2013b; Hilman & Mohammed, 2011). Generally, financial performances consist of profitability, liquidity and financial risk. Meanwhile, non financial performance is frequently linked to customer base, brand devotion, image and reputation, technology and initiatives improvement as well as excellence of human resources (Kaplan & Norton, 1992, 2000).

Consequently, this study used both categories (financial and non financial) because over the years many researchers have been using them. Specifically, this study adapted seven items which were used in previous studies (Hilman & Mohamed, 2011; Kaplan & Norton, 1996; Venkantrannan & Ramanujan, 1986). It is reported that the scale has reliability (i.e Cronbach's alpha) of above .70. For example, "Return on Sales" and "Innovation and learning perspective" were among of this being addressed. In addition, all items were measured using seven-point Likert scale

which is like other constructs. The following Table 3.1 indicates sources of items for each constructs.

Table3.1

Summary of the Measurement of Constructs Adapted in the Study:
Constructs Summary and Source Measurement

Constructs	Dimensions	Sources	No. of Items	Brief Definitions
Organizational Commitment	-	Ahmed et al., 2011 Huang et al., 2005. Yousef, 2003	9	Confidence in the organizational goals & loyalty towards BSR issues.
Trust of BSR	-	Ellen et al., 2006 Osterhus, 1997 Stanaland et al., 2011 Tian et al., 2011	3	Expectation that an organization is ready to maintain promises and abide by obligations towards BSR programs.
Perceived Ethics	-	Curras- perez et al., 2009 Lin et al., 2011	6	The extent to which an organization decision to ethical standard and business actions.
Organizational Culture	-	Ahmad et al., 2011 Larry et al., 2011 Lok & Crawford, 2004 Rashid et al., 2003 Wallach, 1983.	24	Refer to collections of beliefs, values and assumption, held by an organization
Organizational Performance	-	Kaplan & Norton, 1996; Hilman & Mohamed, 2011 Murphy et al., 1996 Venkatraman & Ramanujan, 1986.	7	The extent to which organizational effectiveness constitutes operational and financial results.

Sources: Researcher.

3.7 Population and Sampling

The population for this study was derived from register companies enlisted in SMEs in Kano State, Nigeria. Kano is chosen because it has the highest number of populations and SMEs in the country (Census, 2006). Furthermore, Kano is a center of commerce and terminus of trade for centuries African regions as well as the Arab world (Sani & Suleiman, n.d.). Additionally, the commercial activities attract people of different religions and ethnic background. Hence, to this extent, it could be said the sample of this study is relatively homogeneous. Consequently, the homogeneity of the subject making up the population makes it possible to relax the stringent procedure required for generalization (Babie, 1990).

Therefore, inferential statistics are used in this study to evaluate obtained information generated from SMEs in Kano (Hair, Black, Babin, Andersen & Tatham, 2010). The common goal of survey based research is to collect data that is representative of the population being studied (Cavana *et al.* 2001; Krejcie & Morgan, 1970). As such, several researchers have used information that is gathered from different surveys to generalize the findings that are drawn from a population sample, specifically within the limit of a given random error (Bartlett, Kortlik, & Higin, 2001; Cavana *et al.*, 2001).

3.7.1 Sampling Size Determination

In research it is impractical to collect data for the entire population especially if it reaches several hundreds or thousand. Even if it were possible then it would incur extreme hike of time, cost, human resources and others (Sekaran & Bougie, 2010). There is a need for researchers to critically view sample size determinations and issues with non-response as an essential conditions in any quantitative survey design (Bartlett *et al.*, 2001).

Malhotra (2002) suggest the following pointers in considering a study sample sizes:

- (1) Significance of the decision
- (2) View of the research
- (3) Number of constructs
- (4) Nature of the analysis
- (5) Dimension of the sample
- (6) Frequency rates
- (7) Conclusion rates, and
- (8) Resources constraints.

In addition, Cohen (1988) stated that in order to find out the required sample size of a research design, one may perhaps decide on significant principle, and required level of numerical influence to achieve. Furthermore, Cohen (1988) stated that to establish accuracy, the bigger the sample size, the lesser the error and the greater the accuracy of the outcomes. Therefore, this will make stronger the likelihood of determining the phenomena under investigation. It is further argued that selecting a

sample of the population is more important than having big but biased sample. Hence, the researcher carefully chooses the population sample of this study, and bearing in mind those numerous interpretations and suggestions of previous researchers.

The sample size for a given population of 29,204 is 394 (Waston, 2001). This is because to ensure that the sample size is enough to address the objective of the study. The sample can also be computed using the formulae suggested by Yamane (1967).

The formula for computing sample size is as shown below:

$$n = \frac{N}{1 + N (e)^2}$$

Where: n = Sample size; N = Population of the study; e = Level of precision.

Thus: N= 29,204; e = 0.05

$$n = \frac{29,204}{1 + 29,204 (0.05)^2}$$

$$n = \frac{29,204}{1 + 29,204 (0.0025)}$$

$$n = \frac{29,204}{1 + 73.01}$$

$$n = \frac{29,204}{74.01}$$

$$n = 394.60$$

However, to reduce sample size error and to take care non-response problem, then the sample size should be doubled and rounded up to 800 (Hair, Wolfinbarger, & Ortinau, 2008). In addition fewer samples have bigger sampling error, and less consistency. Usually a sample of fewer than about 30 respondents will likely offer sampling error (Alrech & Settle, 1995). They also recommend a smallest amount sample size of 100 participants for small population and the highest size for a sample with respects to 1000 participants (Alrech & Settle, 1995). Furthermore, adapted questionnaires were distributed to all sample of the population. For example, Dennis,

Hackert, Tokle & Vokurka, (2011) used a sample of 325 firms. Opara, (2010) used 230 firms manager. Muthuri and Gilbert, (2011) used 70 companies, and Dincer, (2011) used 169 firms. Therefore, this study uses thus scenario as basis in determining its sample size.

3.7.2 Sampling Design

There are two kinds of sampling methods: as probability and non - probability sampling. These two methods are related to validity, and reliability, and suitability of sample size (Henry, 1990). Probability sampling, if cautiously planned and carried out, has a better validity and reliability (Henry, 1990). Probability sampling is based on the idea of random choices, which assumes that each population component is ascertained with non-zero chance of choices. Therefore, five essential methods for choosing probability sampling are: simple random sampling; systematic sampling; stratified sampling, cluster sampling and multistage sampling (Sekaran & Bougie, 2010; Henry, 1990). In comparison with probability sampling, non-probability is non-random and prejudiced; each member does not have a nonzero probability of being incorporated (Cooper & Schindler, 2003).

Furthermore, in some instances, non probability sampling may be selected by researchers because of number reasons; initially non - probability is suitable and incurs minimum cost against probability (Cooper & Schindler, 2003; Sekaran & Bougie, 2010). If carefully implemented non-probability sampling may give a

reliable feedback (Cooper & Schindler, 2003). It is possible that non-probability sampling is the only choice. The list of population or sample frame might not be readily accessible. Two kinds of non-probability sampling are; convenience sampling, and purposive sampling (Cooper & Schindler, 2003; Sekaran & Bougie, 2010).

For ease of generalizability, this study employed purposive sampling design, where the population frame was not available. As defined, purposive sampling design is a sampling method that is confined to precise kinds of persons who can make available for required data because they are the ones who have it (Sekaran & Bougie, 2010). Despite its inherent bias purposive sampling can provide reliable and strong data (Bernard, 2002). In addition, the use of purposive sampling has become necessary because several efforts were made to get the list from the agency (www.smedan.org.ng) but was not available, due to peculiar problems of data base and multiplicity of agencies in Nigeria.

Furthermore, as earlier explained by Sekaran and Bougie (2010), instead of getting information from those who are willing or easily obtainable, it may at times become essential to acquire data from precise intention groups (Sekaran & Bougie, 2010). The outcome of this selection has served as the criterion marker for selecting the sample units from within the total population, in line with this study knowing the

anticipated group of 394 from a total population 29,204 of small scale industries in Kano Nigeria.

3.7.3 Estimating Expected Responses Rate

For this study, a total of 800 questionnaires were distributed and the objective was to achieve at least 50% responses rates i.e 400 responses. This response rate was set to put in order, and to ensure no response bias and non-response rate have an effect on the result, moreover; this percentage was calculated in line with response rate of preceding studies such as Cheng, Abdul Kadir & Bohari, 2012; Ravichandran, Mani, Kumar & Prabhakaran (2010); Zafar, Asif, Zafar, Hunjra & Ahmad (2012) that employed non probability sampling of 36%, 85% and 38.4% respectively. Going by the above calculation, this study samples 800 SMEs with an anticipated rate of at least 50% for consistent and valid result.

3.7.4 Unit of Analysis

Unit of analysis is who or what is being studied in a given research. Evidences from the social science research have established a unit of analysis as an organization, an individual, a social interaction or a group of organizations/individuals (Hair *et al.*, 2010). Unit of analysis must be consistent with research problems, research questions and objectives of the study. The target working populations for this research is the 29,204 SMEs in Kano State. The managers and individual owners were seen as the most appropriate respondents for this research because they are the

key decision makers of SMEs and tools execution and are in line with the previous research uses (Cochet & Chi Vo, 2012; Taddei & Delecolle, 2012).

3.8 Data Collection Method

Although there are numerous techniques for collecting data, this research collected data through distributing questionnaire's to respondents from SMEs in Kano. The researcher adopted this technique because it allows for a broad scope of information to be gathered quickly at one time. However, certain precaution measures were taken as to reduce response error.

Moreover, the researcher prepared this procedure due to its benefits. The first benefit is that the researcher can collect all the completed questionnaires quickly. The subsequent benefit is that the researcher can make clear on the spot the terms or parts of the questions that the respondents cannot understand, and thirdly, the researcher can encourage the participants to participate in the survey and give their views independently (Sekaran & Bouge, 2010; Sekaran, 2003). Additionally, in effort to get the questionnaire completed quickly as possible, the hand delivery and compilation method was selected which usually gives a better response rate. In addition, hand delivery and collection are efficient in a society where the research culture is not well received like in Nigeria. This is supported by Asika (1991) who discovered the response rate to be within a range of 3% - 4% only.

3.8.1 Questionnaire Design

Questionnaire design is a unique and very important stage of any research, and as observed from different extant literatures, there are two main objectives of designing a questionnaire (Sekaran & Bougie, 2010). The first one is that questionnaire designs gives opportunity to capture numbers of targeted respondents, and second, it assists in avoiding and reducing probable measurement error through logical arrangements of questions in a manner that will best be understood by respondents (Sekaran & Bougie, 2010).

3.8.1.1 Types of Questionnaire

Questionnaires can be defined as a set of questions itemized to provide information on certain variables based on the feelings of other people called respondents. A part from that, the questions may be open ended, dichotomous and/or close ended. For this research, the questions were close ended because they restrict the respondents within the set of provided alternative answers in measuring their objective and subjective feelings on the constructs of BSR in their respective firms (Sekaran & Bougie, 2010). To efficiently achieve this, the researcher designed a well-structured clear and self administered questionnaire. This effort is crucial because the expected responses are important to the achievement of a reliable statistical analysis in the final results (Hair *et al.*, 2006).

3.8.2 Research Instruments/Rating Scales for the Response

The most significant rating scale for measuring the latent construct in social science research was employed in this study (Churchill & Peter, 1984). All constructs were measured using the seven-point Likert type of scale, including the independent, mediating and the dependent variables. Some literatures have argued on the benefits inherent in the five-point Likert type of scale, but still the seven-point Likert scale is said to provide better quality of responses besides not put this participants into unnecessary cognitive burden (Cavana *et al.*, 2001; Churchill & Peter 1984; Hair *et al.*, 2010). Furthermore, to achieve a better optimal result in information processing and scale reliability, the seven-point Likert scales is said to be efficient (Churchill & Peter, 1984).

Moreover, a seven point - scale is the most advantageous, because a scale with more points will enable respondents to show their stand better (Krosnick and Fabrigar, 1997). Apart from that, this will give respondents freedom to disclose their feeling.

3.8.3 Control for Measurement Error

Measurement error could be described as the extent to which the observed values are not representing the “true” values due to some possible reasons. Most of the reasons for measurement error include errors during data entry, failure of respondents to give correct information or inappropriateness of measurement (Hair *et al.*, 2010). Most multivariate methods are assumed to have some level of measurement error.

Therefore, the challenge faced by researchers is to reduce and control for its occurrence because the error can result in weak and less complete results.

Many processes have been followed in this research as to reduce the measurement error that is likely to occur. Validity of the measurement was confirmed in both pilot and main study, through content validity, discriminant and convergent validity, which make the result consistent and error free.

3.8.4 Pilot/ Preliminary Test

A pilot test is considered to be like preparation in which a small – sample of the study is tested prior to testing the whole sample (Gorondutse & Hilman, 2012b; Gay, Mills & Airasian, 2006). Thus, this study carried out pilot test to (i) assess validity and internal consistency of instrument; and (ii) find out real condition of the main study, thereby enabling researcher to predict and cater potential issues during full scale research. Validity is referring to degree of which instrument is measuring what it is supposed to measure and not something else, where as reliability measure the extent to which an instrument is error free, and hence consistent and stable across time and also across various items in the scale (Sekaran & Bougie, 2010).

The sample size for a pilot study is usually small in nature; starting from 15-30 respondents although it could be increased substantially if the test involved a number of levels (Malhorta, 2008). An attempt was made to conduct factor analysis but due to the nature of cases/samples it was not possible to conduct factor analysis. This has been stated in previous literature that factor analysis is responsive to the number of cases/samples and hence, with a few sample sizes the correlation co-efficient among the variables is less reliable and tends to vary. Researchers have different views with regards to sample size that is sufficient for factor analysis. They agree that a larger sample is better.

Tabachnik and Fidell (2007), based on rule of thumb, suggest that a sample size of at least 300 is required, while others suggest a sample size based on the measure of subject to items. Nunnally (1978) suggests that measure of 10 cases for each item is enough for factor analysis. In line with the above information this study only tested for validity and reliability of the instrument. In any case, it is expected that having a valid and reliable instrument leads to the reduction of measurement error to a large extent.

3.8.4.1 Content and Face Validity

In this section, a number of questions were re-worded/re-phrased in order to measure the appropriate variables and also to be reasonable to the potential respondents. Hence, the process of face validity looking for expert opinion was completed within two weeks time. Following the guidelines of using the scales laid down by the developers, minor modification was made in order to suit the location of this research and also to suit the sector as well. Based on the foregoing, more especially considering the fact that the instrument was verified by a number of fairly educated people who are well-known in with the area of the study, it could be said that the instrument is appropriate for the context of the study.

Therefore, subsequent to obtaining opinions and the observations of the specialists the researcher developed an enhanced/revised version of the instrument, which was eventually administered for the pilot test (Gorondutse & Hilman, 2012b). Total 70 copies of questionnaires were circulated and 62 were returned and measured for pilot test analysis (Gorondutse & Hilman, 2012b). A returned completed questionnaire was received after the cutoff dateline and thus, was not incorporated in the trial test analysis. Hence, high response rate of about 88.6% was achieved perhaps because of distributing and collecting the questionnaire personally. Some friends of the researcher assisted in the distribution and collection of questionnaires. This process was completed within four weeks. It should be noted that the pilot study was done in the month of December, 2012 to January, 2013.

3.8.4.2 Reliability Test

There are different types of reliability tests; the most widely used technique in many researches is internal consistency reliability (Litwin, 1995). The Cronbach's alpha coefficient test was carried out to measure the internal consistency reliability. A pilot test was conducted with SMEs to test the reliability of the instruments. A total 70 respondents participated in the pilot study, but only 62 were returned and analysed.

The following table shows the summary of the reliability results:

Table 3.2
Summary of Reliability Test for Pilot Test

Constructs	No of items	Cronbach Alpha
Commitment	9	0.85
Trust	3	0.98
Perceived Ethics	6	0.81
Organizational Culture	24	0.88
Performance	7	0.74

Source: Gorondutse & Hilman (2012b, 2013e)

The results of pilot test in Table 3.2 indicate that the Cronbach's alpha for the variables under examination are all above 0.70. Therefore, based on the recognized yardstick of 0.70 all the variables have internal consistent reliability and consequently there was no need to remove any items. Further reliability analysis was performed in the actual study based on larger samples size (refer to chapter 4).

3.9 Data Analysis Strategy

After completion of data collection, combinations of both descriptive and inferential statistics were employed as methods of data analysis. The PLS SEM approach was used in the analysis of the data collected for this study. Specifically, two major PLS SEM software applications including SmartPLS (Ringle *et al.*, 2005) and PLS-Graph (Chin, 2003) were used in the analysis and presentation of results.

In addition, there are many software programs used to process data analysis including Statistical Package for the Social Sciences (SPSS), SmartPLS, SAS, STATPAK or Excel. The most popular program is SPSS. In this study, SPSS and SmartPLS were chosen for their simplicity and completeness (Sekaran, 2003). To attain internal consistent reliability in data analysis and hypotheses testing, the study made use of several statistical tools from version 18 of SPSS software and Smart PLS 2.0 M3 software to conduct a test of non respondent bias, data screening and preliminary analyses for missing data, outliers and normality. Others are factor and reliability analysis to accesses the goodness of model, validity and reliability of measures, and descriptive statistics to support the features of the respondents, relationship analysis to help in explaining the association that exist between SMEs and other constructs and lastly, SEM PLS analyses to test the theorized effect of BSR on SMEs performance, as well as the intervening influence of organisational culture.

3.9.1 Hypothesis Testing and Data Analysis

After the collection of sufficient data that matched the minimum sample size requirements, the researcher coded, summarized and analyzed the data with SPSS, factor analysis and PLS SEM. Below are detailed explanations on the instruments that were employed.

3.9.2 Descriptive Analysis

Descriptive statistics are used to summarize data, and to describe phenomena of interest (Sekaran & Bougie, 2010). The major descriptive statistics are the mean, median, range, mode, variance, and standard deviation (Sekaran & Bougie, 2010; Tabachnick & Fidell, 2001). Generally, mean is the total scores in a data distribution divided by the number of scores. Median is the center point in a data division. Range is the difference between the highest to lowest scores in a data distribution. Mode is the highest repeated score in a data distribution. Variance is the mean of the squared deviation scores for the mean of a data distribution. Standard deviation is the square root of the variance (Ticehurst & Veal 2000). The most frequently used measurement for inferential statistics is the Pearson correlation coefficient. Inferential statistics are used to make final statements about a population on the basis of samples (Sekaran & Bougie, 2010; Sekaran, 2003).

3.9.3 Factor Analysis

Factor analysis as a statistical modelling approach was first developed and used by an English psychologist called Charles Spearman in studying unobservable hypothetically existing variables (Raykov & Marcoulides, 2006). Like the path analysis, available literatures have shown that factor analysis also has relatively long history in business research (Hair *et al.*, 2010; Hau & Marsh, 2004). Raykov & Marcoulides (2006) argues that Spearman (1904) proposed the known individual's ability scores which are the manifestations of the general ability now called the general intelligence, and several other similar abilities such as the verbal or numerical abilities.

These general and specific factors were both combined to produce the currently known ability performance, an idea that was later labelled the two-factor theory in human abilities. Very important is that as more and more researchers became interested in this factor approach, the theory was later extended to accommodate many factors and its corresponding analytic approach resulted into what is now called "factor analysis".

Generally, the use of factor analysis could be explained as a modelling approach that is used in studying hypothetical constructs through various indicators or observable proxies that can be measured directly (Byrne, 2010; Hair *et al.*, 2010; Raykov & Marcoulides, 2006). Factor analysis is regarded as Explanatory factor analysis

(EFA), if the topic of interest is concerned with knowing how many latent constructs or factors are needed to efficiently explain the associations that exist among a set of observed measures (Hair et al., 2010; Hu and Bentler, 1995).

3.9.3.1 Confirmatory Factor Analysis (CFA)

This section discussed on confirmatory factor analysis (CFA), certified measurement scales are subjected to confirmatory factor analysis CFA as a technique to finalize the scales (Hair *et al.*, 2006; de Vellis, 1991). CFA is conducted on the main survey data (Hair *et al.*, 2006; Gerbing and Anderson, 1988). CFA is used to authenticate that the amount of latent constructs underlying the items tally with the figure that the researcher may expect (Hair *et al.*, 2006; de Vellis, 1991). Moreover, if the factor analysis ‘discovers’ precisely the item groupings that researchers intended when creating the items, the researchers will have strong substantiation of their initial hypothesis relating to how the items should relate to one another” (de Vellis, 1991). In this study, CFA was used for testing whether the pre-specified association predicted by the theory is existing in the data (Hair *et al.*, 2010; Huang, 2001; Hair *et al.*, 2006). Like Explanatory Factor Analysis (EFA), CFA can be used to reduce the number of items (Netemeyer *et al.*, 1996).

The researcher used CFA, because all the variable measurements for the current study were adapted from previous authors; thus, there is no need for EFA (Hair *et al.*, 2010). PLS CFA using the PLS-inbuilt principal component analysis is used to determine the structure of the constructs. CFA can evaluate both the worth of a factor clarification and the precise parameters which represent a model (Bryn, 2010; Hair *et al.*, 2010; Kelloway, 1998). Usually, CFA is used as an evaluation of construct validity to make sure that the hypothetical denotation of a variable is statistically answered by its items (Hair *et al.*, 2010; Steenkamp and van Trijp, 1991). This basis is very significant for theory assesment and advancement (Hair *et al.*, 2010; Steenkamp and van Trijp, 1991).

Following suggestions by Anderson and Gerbing (1982, 1988), the researcher examined hypothesized model-testing in two levels (Hair *et al.*, 2010). The initial stage was the improvement of a measurement model. This was to authenticate the associations in respect to the variable and its items. The next stage concerned the assessment of the model to show the causal associations between the latent constructs (Hair *et al.*, 2010; Anderson and Gerbing, 1982). Assessing the measurement model was assisted by CFA (Hair *et al.*, 2010; Diamantopoulos and Siguaw, 2000). Therefore, once the measurement model was confirmed by means of CFA, the essential magnitude which may likely have an effect on the validity of a variable was evaluated (Hair *et al.*, 2010; Anderson and Gergin, 1988). The magnitude of variables confirmation comprise: unidimensionality of a construct; reliability; convergent validity; discriminant validity; and nomological validity (Hair *et al.*, 2010;

Peter, 1981; Steenkamp and Trijp, 1991; Anderson and Gerin, 1988,). Therefore, this study used PLS SEM software, and carried out CFA.

CFA is generally considered to be a modelling approach that is designed to test any hypothesized relationships about a factors structures, more importantly when these factor numbers and its interpretations in terms of indicators are given in advance of the analyses. Hence, this research followed the three suggested stages in CFA (a) reviewing related theories, (b) conceptualizing, the hypothesized relationships into a model, and (c) testing the model for internal and external consistency with the observed explanatory data.

3.9.4 Partial Least Squares (PLS) Technique

PLS SEM method is called a second generation structural equation modelling (Wold, 1982). In addition, PLS SEM is a relatively new technique that contains latent variables and a sequence of cause-and-effect relationships (Hair *et al.*, 2011; Hair *et al.*, 2013; Gustafsson & Johnson, 2004). Furthermore, PLS SEM approach has gained increasing dissemination in a variety of disciplines such as accounting (Lee *et al.*, 2011), international marketing (Henseler *et al.*, 2009), management information systems (Rapp, Tainor & Agnihotri, 2010; Ringle *et al.*, 2012), marketing (Hair *et al.*, 2012c; Okazaki & Taylor, 2008), strategic management (Hair *et al.*, 2012b; Hulland, 1999) and operations management (Peng & Lai, 2012) and is a high-quality and elastic instrument for statistical model structure as well as prediction (Ringle,

Wende, & Will, 2010; Ringle, Sarstedt, Scglittgen & Taylor, 2013). Specifically, the PLS method was used for this study because of the following reasons.

Firstly, SEM has been established to be a better model to carry out estimations than regression models for assessing mediation (Brown, 1997; Iacobucci, Saldanha, & Deng, 2007; Mattanah, Hancock, & Brand 2004; Preacher & Hayes, 2004). In line with this, it has been reported that PLS SEM can account for measurement error and can present more precise calculations of mediating effects (Chin, 1998a).

Additionally, PLS path modeling is becomes more suitable for real world applications and more beneficial to use when models are complex (Hulland, 1999). The soft modeling assumptions of PLS method (i.e., ability to be flexible develop and validate complex models) gives it the benefit of estimating large complex models (Akter *et al.*, 2011). The current study examined relationships among five variables (i.e commitment, trust, perceived ethics, organizational culture and performance) within the structural model and hence employing the use of PLS SEM techniques was suitable for better prediction.

Furthermore, in most social science studies, data is likely to have normality problem (Osborne, 2010) and PLS path modelling does not necessarily require data to be normal (Chin, 1998a). In other words, PLS treats non-normal data relatively well, by

and large. However, recently, Hair et al. (2013) suggest reporting skewness and kurtosis of data which is associated with normality. Thus this study reported normality (skewness and kurtosis) in line with Hair *et al.*, (2013). In addition, PLS SEM offers more significant and valid results, while other methods of analysis such as software package used for statistical analysis (SPSS) often result in less clear conclusions and would require several separate analyses (Bollen, 1989).

Tabachnick and Fidel (2007), state that SEM is one of the most influential statistical tools in social and behavioural sciences that have the capability of testing several relationships simultaneously. Regarding this study, SmartPLS path modelling was used to establish measurement and structural models. Measurement model was used to explain or assess the constructs reliability and validity of the current study. And, structural model was used to conduct bivariate correlation analysis and simultaneous regressions analyses to establish correlations, and relationship effects among constructs under examination. Similarly, using the PLS mechanisms of algorithm and bootstrapping, the mediating impacts of organizational culture (mediator) on the association with respect to BSR (commitment, trust and perceived ethics), and performance were examined.

3.10 Ethical Considerations

Ethical considerations are used to defend the rights of participants. Ethics is supposed to be a significant concern in planning of research (Bryman & Bell, 2003). Ethical considerations are behavioral principles that guide our ethical choices, and are guided by the norms established by the public and a list of satisfying codes of behavior applicable to the social situation (Zikmund, 2000).

In addition, participation is voluntary, and participants have the right and choices to quit and access the research findings, to keep their results secret, and to give up to date permission. The researchers must enlighten the purpose, procedure, risks, benefits, and privacy concerns to participants (Neuman, 2000). And, the researcher must preserve a research value to make sure the research findings and principles are right (Zikmund 2003). Therefore, ethical considerations reduce the unresponsive closeness with the participants (Ticehurst & Veal, 2000). Finally, this study addresses the ethical issues close to respondents, and the researcher.

3.11 Summary

This chapter discusses the research framework and methodology as well as summary of hypotheses. The framework is proposed as mechanism to test the effect of BSR dimensions on organizational performance. In line with the literature, the hypotheses are developed to investigate the causal relationship between BSR variables and the organization performances. Other sections in this chapter include research plan, sampling, data compilation and technique of examination and measurement of instruments. As explained earlier most of the measurements were adapted from previous researches, and they have adequate reliability and validity.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

The main objective of this chapter is to discuss the results of the research, which comprise data presentation, analysis and argument of outcomes of the studies. The data are analyzed in the following sections: first, discussion on the response rate, description of profile of the respondents and the study variables. Secondly, this chapter analyzes results of factor analysis of the major constructs of the study i.e commitment, trust, perceived ethics, organizational culture and performance. Using the PLS methodology, the chapter analyzes the measurement model or goodness of measures through construct validity and internal consistent reliability analysis. Additionally, this chapter computes the structural model to analyze the relationships between three exogenous constructs (commitment, trust, and perceived ethics) and two endogenous constructs (organizational culture and performance).

4.2 Profile of the respondents

This study distributed 800 copies of questionnaires, and a total of 514 were finally retrieved, giving a response rate of 64%. A reasonably better response rate was achieved (which is above expected rate of response) as a result of the researcher's persistence for completion of each questionnaire. Encouragement was given in the form of writing materials, which to an immense degree encouraged a great number of the participants to take part in the survey. Furthermore, in the procedure of data

cleaning and screening, 28 copies of survey questionnaires were regarded as not suitable for analysis and removed. Thus, overall, 486 copies of questionnaire were used for the analysis.

The descriptive analysis reveals that 31.1% of the respondents are General Managers, 29.8% are different categories of Managers and 29.4% are Chief Executives/Owners of business. Descriptive statistics show that the respondents having less than five years in the business is 35%, followed by the range of 5-10 years, (32.5%), 11-20 years (22.6%), 21-40 years (7.4%), and, lastly 40 years and greater 2.5%. It can be evidently seen that the majority of the participants, (more than 80%), are still within the range of target of this study (see Table 4.1 for this and the subsequent descriptive statistics).

Similarly, for the business location of the participants, the survey revealed that headquarter has the highest total with 64% of the total participants, subsequently, by division location with 17.9%; follows by subsidiary and others respondents in that order. The descriptive analysis reveals that a large percentage of the respondents owned their business on an individual basis. For example, 48.1% of the respondents owned businesses individually; followed by 32.7% of the respondents with partnership; 12.1% with joint ventures, and others with 7.2%. with regards to the number of employees in the business, the descriptive statistics reveal that the participants with less than 20 employees was 52.7%, followed by 21 and 40

employees with 17.7%, 61 and 80 employees with 12.8%, follow by 80 and above employees, and lastly, 41 and 60 employees in that order.

For business activities, Food and Beverages had 25.5%; Poultry with 20%; Textile Materials with 13.6%; Weaving & Dying with 10.7%; Furniture and Equipment with 10.5%; others with 8.2%; Recycling with 7%; and Tobacco Products with 4.5%. The preliminary examination evaluated the total assets of the participants with respect to the activities they operate. It was revealed that close to the half of the respondents had 1- 100 million naira (1million naira is equivalent to USD 6,250), or 43.8%; less than 1million naira with 34.6%; 101-200 million naira with 10.7%; 201-300 million naira and 301 million naira -above with 5.8% and 5.1%, respectively. The last range of 301 million naira - above is the least among total assets of the business by the respondents. This perhaps indicates that the businesses are small in nature.

Based on the above, it could be summarised that the respondents who participated in the research provided adequate variance regarding their backgrounds. Hence, the data used in the study was completed by respondents from diverse economic backgrounds.

Number of questionnaires distributed	800
Number of questionnaires returned	514
Response rate	64%
Total of valid questionnaires (usable responses) 486 questionnaires	

Equally, the present response rate is considered sufficient going by the suggestion that a sample size should be within the range of five and 10 times the number of study variables (Bartlett, Kotrlik, & Higgins, 2001; Hair *et al.*, 2010). Knowing the number of constructs in this research is five; a sample of 50 is enough for analysis. More importantly, the tool of analysis for the current study, which is PLS, requires a minimum of only 30 responses (Chin, 1998b); thus a total of 514 response rates for this study is more than adequate for analysis. More importantly, the 64% response rate falls within the range of common response rate of 40-50% in social science study in Nigeria (Linus, 2001). In addition, a response rate of 30% is considered adequate for a survey (Sekaran, 2003; Hair *et al.*, 2010).

Table 4.1
Summary of Respondents Demography

<i>S/N</i>	<i>Items</i>	<i>Frequency</i>	<i>Percentage</i>
	Job Title:	151	29.4
	Chief executive /owner	160	31.1
	General Manager	153	29.8
	Managers	50	9.7
	Others		
	Years of Existence:		
	Less than 5 years	180	35
	5-10years	167	32.5
	11-20years	116	22.6
	21-40years	38	7.4
	Above 40years	13	2.5
	Organization Location:		
	Headquarters	329	64
	Division	92	17.9
	Subsidiary	43	8.4
	Others	50	9.7
	Ownership of the Organization:		
	Individual	247	48.1
	Partnership	168	32.7
	Joint ventures	62	12.1
	Others	37	7.2
	Number of employees in organization:		
	Less than 20	271	52.7
	21-40	91	17.7
	41-60	39	7.6
	61-80	66	12.8
	Above 80	47	9.2
	Organization Activities:	131	25.5
	Food and Beverages	23	4.5
	Tobacco Products	70	13.6
	Textiles Materials	55	10.7
	Weaving and Dyeing	54	10.5
	Furniture and Equipment	36	7
	Recycling	103	20
	Poultry	42	8.2
	Others		
	Total assets at the end of year:		
	Less than 1 million naira	178	34.6
	1-100 million naira	225	43.8
	101-200 million naira	55	10.7
	201-300 million naira		

301 million-Above	30	5.8
	26	5.1
Sources: Researcher		

4.3 Test of Non - Response Bias

Non-response bias is defined as some mistakes a researcher expects to make while estimating a sample characteristic, because some types of survey respondents are under-estimated due to non-response (Berg, 2002). It is well explained in the literature that “there is no minimum response rate below which a survey estimate is necessarily biased and, conversely, no response rate above which it is never biased” (Singer, 2006). However, no matter how small the non-response, there is a possible bias which must be investigated (Pearl & Fairley, 1985; Sheikh, 1981); thus, the need for conducting the non-response bias analysis for this study.

As shown in Table 4.2, respondents were categorized into two independent samples based on their response to survey questionnaires regarding five main survey variables (Commitment, Trust, Perceived Ethics, Organizational Culture, and Performance). The most common ways to test for non-response bias for this research is to contrast the responses of those who responded to the questionnaires distributed early before end of August, 2013 (i.e. before Sallah break) and those who responded to the questionnaires distributed after August, 2013 (i.e. after Sallah break). Looking at the table below, it can be seen generally that the mean and standard deviation for early response and late response are distinctly diverse. The 2 tailed t test result (Table 4.3) shows that there is no significant disparity with respect to the early

respondents and late responses statistical result based on Commitment revealed that; (t=1.487, $p < 0.066$), Trust (t 0.718, $p < 0.398$), Perceived Ethics (t=1.003, $p < 0.316$), Organizational Culture (t 0.332, $p < 0.740$) and Performance (t=1.631, $p < 0.104$). Therefore, based on the t test results it can be inferred that there is almost no difference between the early respondents and late participants, and, consequently, no dilemma of non response bias.

Table 4.2
Group Descriptive Statistics for Early and Late Respondents

Constructs	Response Bias	N	Mean	Std. Deviation	Std. Mean Error
Commitment	Early response	360	5.29	.978	.052
	Late response	126	5.43	.609	.054
Trust	Early response	360	5.59	.652	.034
	Late response	126	5.63	.460	.041
Perceived Ethics	Early response	360	5.43	.639	.034
	Late response	126	5.36	.615	.055
Organizational Culture	Early response	360	5.33	.596	.031
	Late response	126	5.31	.547	.049
Performance	Early response	360	5.25	.708	.037
	Late response	126	5.36	.611	.054

Source: Researcher

Table 4.3
Independent Samples T-test for Equality of Means
Leven's Test for Equality of Variance

		F	Sig	T	df	Sig.(2 tailed)	Mean Differen ce	Std. Error Differen ce	95 Confide nce Of the differenc e Lower	Interval Upper
OC	Equal variance Assumed	12.92	.000	1.48	484	.138	1.381	.092	.320	.644
	Equal variance Not assumed			1.84	351.8 71	.066	1.381	.074	.285	.009
TR	Equal variance Assumed	18.27	.000	.718	484	.473	.045	.062	.169	.078
	Equal variance Not assumed			.84	309.4 81	.398	.045	.053	.150	.059
PE	Equal variance Assumed	.77	.379	1.00	484	.316	.065	.065	.063	.194
	Equal variance Not assumed			1.022	226.0 62	.308	.065	.064	.061	.192
CU	Equal variance Assumed	.002	.964	.332	484	.740	.020	.060	.098	.138
	Equal variance Not assumed			.34	236.3 45	.730	.020	.057	.094	.134
OP	Equal variance Assumed	2.10	.184	1.63	484	.104	.115	.070	.254	.023
	Equal variance Not assumed			1.75	250.8 17	.081	.115	.066	.245	.014

Source: Researcher

4.4 Common Method Bias

In behavioural studies, common method bias is the variance that is consistently contributed to the measurement error to a certain extent than to the actual variable that is supposed to be measured (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). However, there has been increasing apprehension about how to decrease, or eradicate method biases because they are one of the main sources of measurement error found in behavioral studies. This study used self-reported data from Managers and Owners of SMEs in Nigeria, which creates potential for common method variance (CMV); this indicates that the predictors (i.e., Commitment, Trust, Perceived Ethics and Organizational Culture), and criterion variables (i.e., Performance) are obtained from the same single source or raters (managers/owners).

To address the issue of CMV, some procedural and statistical measures were taken in the research process (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Some of these procedural and statistical controls include reverse worded questions, elimination of item ambiguity, allowing the respondents anonymity and Harman's single-factor test as recommended by Podsakoff *et al.* (2003). Harman's single-factor test has been one of the most widely used techniques by researchers to solve the predicament of CMV. The procedure provides loading simultaneously all study variables into an EFA and examining the un-rotated factor explanation to establish the number of factors that are essential to account for the variance in the constructs (Podsakoff *et al.*, 2003).

The rule states that if considerable total of CMV exists, the results of the factor analysis will either be a single factor, or that a single factor will cause the mainstream of the covariance among the measured (Podsakoff *et al.*, 2003). In addition, the correlation matrix (Table 4. 6) and Discriminant Validity (Table 4.13) do not signify any extremely correlated variables; common method bias frequently results in tremendously high correlations (0.90) (Bagozzi, Yi, & Phillips, 1991). Consequently, one may assume that CMV bias is not a problem, and the results corroborate the tenability of the proposed measurement model, thus, in line with the above discussion, it shows that common method bias may not be a serious problem in the present study data.

4.5 Descriptive Analysis of Constructs

The variables used in this study were investigated by using the descriptive analysis. Statistical values of means, standard deviation, and maximum were considered for the independent, mediating and dependent variables. The results of these statistical values are displayed in Table 4.4. All the variables were calculated on a seven point Likert scale.

Table 4.4
Descriptive Analysis of Constructs

Constructs	N	Mean	Std. deviation	Minimum	Maximum
Commitment	486	5.33	0.90	2	7
Trust	486	5.60	0.61	2	7
Perceived ethics	486	5.41	0.63	2	7
Organizational Culture	486	5.33	0.58	2	7
Performance	486	5.23	0.69	1	7

Source: Researcher

Based on the above descriptive statistics, the independent variables results shows that the mean value for trust had 5.61 is relatively higher than the mean of the remaining independent variables. The descriptive analysis also shows that performance has the lowest mean value of 5.23. The mean score of commitment of 5.33 is relatively lower than the mean score for perceived ethics of 5.41 but moderately higher than the mean score for organizational culture of 5.33. The mean value for performance is 5.23.

4. 6 Data Screening and Editing

In conducting any multivariate analysis data cleaning and screening are vital. This is because the quality and the meaningful outcome of the analysis depend more or less on the initial data cleaning. Thus, missing data, and outliers were checked and treated accordingly.

4.6.1 Missing Data

In view of the effect of missing data in analysis, the researcher took precautionary measures right from the field of data collection in an effort to decrease their rate. On receipt of the completed questionnaires', the researcher/research assistants quickly checked from beginning to end to make sure that all questions were properly answered. In case a participant missed a question(s) he/she was instantly required to fill the questionnaire properly. This helped significantly in decreasing the missing data. The data was entered into SPSS Software; first descriptive statistics was run to recognize whether or not there were missing data. The descriptive statistics exposed that two cases had significant missing values and seemed to be at random, and

therefore, were removed from further analysis. This is in line with the suggestion of Hair *et al.*, (2010) that any case with more than 50% missing data should be removed as far as the sample is sufficient. Moreover, the process for treating missing data is to basically drop the case (Tabachnick & Fidell, 2007). In addition, the statistical information reveals that another case had inconsequential missing values of one, for this reason, the value was treated in the course of SPSS SMEANS. Similarly, checking and substitution of missing data are predominantly essential because PLS-SEM is very responsive to missing data, and as a result, it was adequately checked. Additionally, as such, PLS software does not run the data with missing values.

4.6.2 Assessment of Outliers

Apart from missing data, another significant step of data screening is the evaluation and handling of outliers, which are the excessive case scores that may likely have a considerable negative impact on the outcomes. Outlier cases typically have an uncommonly high or low value, a construct or a distinctive mixture of values across numerous constructs, which makes the examination stand out from the remaining (Bryn, 2010; Hair *et al.*, 2010). Thus, using multivariate analysis confirm the discovering and handling of outliers consequently. Therefore, univariate and multivariate outliers were checked in this study. Univariate outliers were checked using SPSS by detecting cases with large z-score values. Cases with standardized z-score values of more than 3.29 are considered to be potential univariate outliers (Tabachnick & Fidell, 2007). With respect to the suggestion of Tabachnick and Fidel (2007) the Mahalanobis Distance (D) was conducted to discover and deal with

multivariate outliers (Hair *et al.*, 2010). The method is to run Mahalanobis in the SPSS and then judge against the values with that of the Chi-square table (Tabachnick & Fidell, 2007). Note that 49 items were adapted, representing the degree of freedom in the χ^2 table with $P < 0.001$; so the standard is 85.35 (Tabachnick & Fidell, 2007). This means that any figure with a Mahalanobis Distance of 85.35 and higher is a multivariate outlier and should be removed. Eight cases were found to be 85.35 and above, and were removed from further analysis.

4.6.3 Normality Test

Normality is the most significant postulation in multivariate analysis (Tabachnick & Fidell, 2007; Hair *et al.*, 2010). It deals with the nature of data distribution for an individual construct and its association with normal distribution (Tabachnick & Fidell, 2007). Furthermore, when the final aim of research is to make inference, then screening for normality is a significant step in nearly all multivariate analysis (Hair *et al.*, 2010; Tabachnick & Fidell, 2007). Accordingly, the univariate and multivariate normality were examined. The preliminary test of normality revealed that there was a sign of non-normality, which was revealed by calculating the Z-score values for each item. As a few cases had a Z-score value of more than ± 2 and above the variables. Subsequently, after the transformation, the Skewness and Kurtosis of all the items were within the acceptable range of < 2 and < 7 respectively. For instance, skewness values were less than 2; the kurtosis values, were less than 7 (see Appendix F). Perhaps this is in line with Tabachnick and Fidell,

(2007) that data transformation improves outcome, and that normality should be re-checked after normalization.

Knowing that homoscedasticity test is related to the assumption of normality, if the data is fairly normal, then the relationships between the variables is assumed to be homoscedastic and, thus, heteroscedasticity is absent (Tabachnick & Fidell, 2007). The fact that, both the multivariate and univariate normality are confirmed in this study, it could be concluded that, the assumptions of homoscedasticity, and, the absence of heteroscedasticity are achieved.

4. 6. 4 Multicollinearity

Multicollinearity is a dilemma that happens when the independent variables are extremely interrelated to as high as 0.9 and above (Tabachnick & Fidell, 2007). As soon as two or more constructs are excessively interrelated, they enclose unnecessary information, and for that reason, not all of them are required in the same analysis, since they enhance or increase the size of error terms, and weaken the analysis. If the multicollinearity problem is detected, it can be resolved by deleting the offending variable(s). To screen for multicollinearity, Variance Inflation Factor (VIF) and tolerance level were examined via regression results from the SPSS. The general rule of the cut-off points is that the VIF and the tolerance values should not exceed 10 and not be less than 0.10, (Hair *et al.*, 2010). From the Table 4.5, it clearly shows that tolerance ranges between 0.51 – 0.83 significantly > 0.10. Similarly, VIF ranges

from 1. 21 – 1.97, and, thus, is good enough as being < 10 (Tabachnick & Fidell, 2007). Consequently, it is concluded that there is no multicollinearity problem among the exogenous variables.

Table 4.5
Multicollinearity Test based on Tolerance Values and VIF

Exogenous Variables	Collinearity Statistics	
	Tolerance	VIF
Commitment	.83	1.21
Trust	.67	1.48
Perceived Ethics	.51	1.97
Organizational culture	.52	1.93

Source: Researcher

To re-confirm the absence of multicollinearity, a Pearson correlation of output was also conducted as presented in Table 4.6 below.

Table 4.6
Correlations among the Exogenous Variables

Correlations	OUTPUT
Commitment <--> Trust	.31
Commitment <--> Perceived Ethics	.30
Commitment <--> Org.culture	.39
Trust <--> Perceived Ethics	.53
Trust <--> Org. culture	.47
Perceived Ethic <-->Org. culture	.66

Source: Researcher

From the table on top, it is evident that none of the variables are extremely interrelated with any other variables. For instance, in line with the suggestion of

Pearson correlation, the result among the variables range from 0.30 – 0.66, specifying that all the association values fit below the yardstick of 0.9 and over; therefore the study concludes that there is no dilemma of multicollinearity among the variables under examination.

4.7 Measurement Model

This research used PLS SEM through the software application SmartPLS (Hair, Ringle, & Sarstedt, 2013; Ringle, Wende, & Will, 2012). PLS SEM depends on two vital multivariate techniques including factor analysis, and multiple regressions (Hair *et al.* 2010). PLS tool is used throughout the analysis of the main and mediating results for this study. In PLS analysis, the first step is to evaluate the measurement model, or the outer model. Measurement model is concerned with estimate the goodness of measures.

Two main criteria were used in PLS analysis to evaluate the measurement model or what is otherwise called the outer model's validity and reliability (Ramayah, Lee, & In, 2011). Reliability test tries to access how consistently measuring tools measures the what it is meant to measure, on the other hand, validity tests try to assess how well an instrument measures an exact concept it is designed to measure (Hair *et al.*, 2010; Sekaran & Bougie, 2010).

The outer model is evaluated by the particular items internal consistent reliability, and constructs validity. In the same way, the reliability, convergent and discriminant

validity of the instruments used in this research were assessed using the methods developed for a PLS context by Fornell and Larcker (1981). In PLS analysis, the projecting power of an individual model is assessed by the R square (R²) of the endogenous constructs or latent variables, as well as the standard path coefficient for each association from exogenous variables to endogenous variables. The R² figures are explained in the similar approach as applicable in multiple regression analysis. The R² values signify the sum of variance in the construct that is explained by the model (Hair *et al.*, 2013; Barclay *et al.* 1995; Chin, 1998b).

Since PLS model does not go for normality distributional assumption of the explanation in its method for estimating parameters, the traditional parametric-based techniques for significance testing are not suitable in PLS (Chin, 2010). In its place, two methods are used in PLS analysis for assessing statistical significance: (1) the bootstrap; and (2) the jack-knife techniques. The jack-knife technique is a more cursory algorithm and the hypotheses are tested by assessing statistical significance of the path coefficients. The jack-knife method is used to save resources and decrease implementation time for huge data sets (Chin, 2010).

Bootstrapping is a more exact calculation of measures (Mooney, 1996). This study used the bootstrapping method for testing the significance of all the path coefficients because in PLS analysis, bootstrapping is the only instrument for investigating the consequence of path coefficients (Chin, 2010). In PLS analysis, bootstrapping is used to calculate approximately the standard error (Chin, 1998b). Bootstrapping is a better re-sampling method estimate the sampling distribution of an estimator by re-sampling with replacement from the original sample (Good, 2000).

Despite, the role of bootstrapping in PLS, the procedure is still not a standardized one as the user decides the number of bootstrap retrials to embark on based on things or the situation (Rasmussen, 1988). It is argued that inadequate number of retrials may generate inaccurate estimates of standard error, t-values, confidence intervals or conclusions in the test of hypotheses (Bontis *et al.*, 2007). Significant guiding principles for the selection of the number of re-sampling are still being explored (Andrews & Buchinsky, 2002). However, in the present study, a total of 500 retrials were selected for determining the consequence of the model's path coefficients and standard error as recommended by Chin (2010).

4.8 Confirmatory Factor Analysis (CFA) (Questionnaire Reliability and Validity Analysis/Measurement Model Analysis).

This section presents results of CFA for this research using the PLS principal component analysis (PCA). All the constructs measurements for the current study were adopted from previous authors; hence, there is no need for exploratory data

analysis (Hair *et al.*, 2010). PLS CFA using the PLS-inbuilt PCA was used to determine the structure of the constructs.

The validity and reliability of the questionnaire in this research were assessed through confirmatory factor analysis (CFA) and Cronbach's alpha coefficient as explained below. This following section separated into two parts: the internal consistence reliability analysis the validity analysis.

4.8.1 Reliability Analysis

In this study, an attempt is made to explain reliability and validity of constructs concerned; on the other hand, construct reliability must be assessed before examining its validity (Hair *et al.*, 2010). The reliability of all constructs was investigated through the Cronbach's alpha; factor loadings and the index of composite reliability (see Table 4.7 - 4.11). Even though, there is a lot deliberation regarding the best technique to calculate reliability, the Cronbach's alpha coefficient is the universal technique used even though it may miscalculate reliability (Sekaran & Bougie, 2010; Hair *et al.*, 2010). Despite there are diverse technique for examining reliability and equally produced related results. For instance, the figures of composite reliability and Cronbach's alpha in Tables 4.7 – 4.11 are almost the same, indeed there is not much difference. However, composite reliability is usually used in conjunction with SEM-PLS models, and this technique of reliability estimate is more vigorous than Cronbach's alpha (Fornell & Larcker, 1981).

Furthermore, composite reliability is better than the Cronbach's alpha which was also examined together with the composite reliability. Cronbach's alpha reliability can be judged by some rules of thumb: for example, an alpha coefficient that is greater than 0.90 is categorized as excellent, more than 0.80 is classified as good, greater than 0.70 is acceptable, more than 0.60 is questionable, greater than 0.50 is categorized as poor, and lastly, less than 0.50 is generally unacceptable (John & Reve, 1982). In general, a Cronbach's alpha of 0.70 has been accepted as the minimum benchmark for examining reliability/internal consistency (Nunnally & Bernstein, 1994).

Other authors like Hair *et al.* (2010) have recommended a smaller value of 0.60. Additionally, the CFA has been conducted to test the appropriateness of the individual dimension measurement models in order to find out whether the indications have sufficient convergent validity and discriminant validity (Hair *et al.*, 2010). The convergent validity is analyzed as follows:

4.8.2 Convergent Validity

Assessment was based on the convergent validity analysis criteria suggested by Anderson and Gerbing (1988), the CFA criteria proposed by Bagozzi and Yi (1988) and the goodness of fit (GoF) proposed by Gefen, Straub and Boudreau (2000). Chen (2011) states the three assessment criteria are: (1) the factor loadings of all items have achieved a level of significance; (2) the Composite Reliability (CR) of the

items is higher than 0.7; and (3) the Average Variance Extracted (AVE) is higher than 0.5 (Chen, 2011). In addition, data analysis of the items in the dimensions was confirmed using PLS 2.0 M3. The validity of a particular measurement scale is said to be convergent when indicators/items load highly (i.e., > 0.5) on their associated constructs (Hair *et al.*, 2010) and none of the items loads more highly on a different construct than the one it intends to measure (Hair *et al.*, 2010; Barclay *et al.*, 1995). Similarly, the present study confirmed the internal consistency reliability value of Cronbach's alpha, the value ranged from 0.692 to 0.914, which is more than the threshold of 0.7 as suggested by Nunnally (1978) and Nunnally & Baberstein (1994) and 0.6 by Hair *et al.*, (2010). Therefore, the scales had good quality reliability and internal consistency.

a. Commitment Scale

In the measurement model of "commitment scales", the Cronbach's alpha is 0.90, and the factor loadings of the individual assessment indicators has adequate significance value; the CR and the AVE were 0.92 and 0.61 respectively, demonstrating the CR and AVE are all above 0.7 and 0.5. Consequently, the data analysis shows that the convergent validity of "commitment" is within the recognition value. This data is shown in Table 4.7

Table 4.7
Confirmatory Factor Analysis for Commitment Scale.

Variable	Estimated MLE Parameter Factor loading (λx)	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)
OC02	0.68	0.90	0.92	0.61
OC04	0.83			
OC05	0.76			
OC06	0.79			
OC07	0.88			
OC08	0.84			
OC09	0.82			

Source: Researcher

b. Trust Scale

In the measurement model of “trust scales”, the Cronbach Alpha is 0.73, and the factor loadings of the individual assessment items have adequate fit significance value; the CR and the AVE are 0.88 and 0.79 correspondingly, demonstrating the CR and AVE are all above 0.7 and 0.5. Consequently, the data analysis reveals that the convergent validity of “trust” is within the recognition value. The results are shown in Table 4.8

Table 4.8
Confirmatory Factor Analysis of Trust Scale

Variable	Estimated MLE Parameter Factor loading (λx)	Cronbach Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)
TR02	0.87	0.73	0.88	0.79
TR03	0.90			

Source: Researcher

c. Perceived Ethics Scale

In the measurement model of “Perceived ethics scales”, the Cronbach’s alpha is 0.69, and the factor loadings of the individual assessment items has a significance value, the CR and the AVE are 0.81 and 0.51 correspondingly, demonstrating the CR and AVE are all above 0.7 and 0.5. Therefore, the data analysis reveals that the convergent validity of “trust” is within the recognition value. The results are shown in Table 4.9

Table 4.9
Confirmatory Factor Analysis of Perceived Ethics Scale

Variable	Estimated MLE Parameter Factor loading (λx)	Cronbach Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)
PE03	0.66	0.69	0.81	0.51
PE04	0.71			
PE05	0.74			
PE06	0.75			

Source: Researcher

d. Organizational Culture Scale

In the measurement model of “Organizational culture scales”, the Cronbach’s alpha is 0.74, and the factor loadings of the individual assessment items have fit significance value; the CR and the AVE are 0.85 and 0.42 respectively. The CR and AVE are higher than 0.7 and 0.5, the AVE which is 0.43 is close to the recommended value of 0.5 (Ahmad & Ramayah, 2012; Hair *et al.*, 1998). The result is consistent with Ahmad & Ramayah, (2012) and Chen, (2011) and may be due to the bureaucratic nature of SMEs. Therefore, the results of the analysis show that the convergent

validity of “Organizational culture” is within the acceptable value. This result is shown in Table 4.10.

Table 4.10

Confirmatory Factor Analysis of Organizational Culture Scale

Variable	Estimated MLE Parameter Factor loading (λx)	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)
BU08	0.51	0.86	0.89	0.43
IN10	0.66			
IN11	0.68			
IN13	0.63			
IN14	0.65			
IN16	0.63			
SP17	0.66			
SP20	0.67			
SP22	0.71			
SP23	0.67			
SP24	0.65			

Source: Researcher

e. Performance Scale

In the measurement model of “Performance scale”, the Cronbach’s alpha is 0.74, and the factor loadings of the individual assessment items has a significance value; the CR and the AVE are 0.858 and 0.67 corresponding, demonstrating the CR and AVE are all above 0.7 and 0.5. Therefore, the result of this analysis shows that the convergent validity of “performance” is within the recognized value. The result is shown in Table 4.11.

Table 4.11
Confirmatory Factor Analysis of Performance Scale

Variable	Estimated MLE Parameter Factor loading (λx)	Cronbach Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)
OP05	0.64	0.74	0.85	0.67
OP06	0.91			
OP07	0.87			

Source: Researcher

Based on the present study, 27 items loaded effectively on their individual constructs and are all above the suggested value of 0.5 (Hair *et al.*, 2010). Only 22 items were deleted for low loading. As indicated in Table 4.12, all the indicators loaded on their respective constructs from a minor bound of 0.51 to a higher bound of 0.91.

Table 4.12

Factor Loadings and Cross Loadings

Indicator	OC	PE	CU	OP	TR
OC02	0.682	0.176	0.100	-0.059	0.213
OC04	0.832	0.208	0.278	0.065	0.167
OC05	0.760	0.209	0.151	0.023	0.123
OC06	0.799	0.230	0.163	-0.051	0.135
OC07	0.887	0.251	0.340	0.095	0.179
OC08	0.847	0.238	0.240	0.010	0.133
OC09	0.827	0.242	0.255	0.034	0.130
PE03	0.081	0.661	0.334	0.472	0.295
PE04	0.183	0.713	0.442	0.412	0.389
PE05	0.172	0.749	0.377	0.376	0.414
PE06	0.326	0.755	0.529	0.499	0.359
BU08	0.111	0.310	0.516	0.248	0.349
IN10	0.267	0.449	0.663	0.489	0.274
IN11	0.201	0.298	0.683	0.307	0.263
IN13	0.169	0.342	0.636	0.360	0.310
IN14	0.248	0.404	0.650	0.439	0.296
IN16	0.178	0.392	0.637	0.383	0.315
SP17	0.204	0.388	0.668	0.363	0.283
SP20	0.136	0.333	0.670	0.390	0.294
SP22	0.167	0.366	0.711	0.439	0.387
SP23	0.182	0.456	0.673	0.442	0.326
SP24	0.242	0.458	0.654	0.503	0.456
OP05	-0.169	0.312	0.326	0.645	0.157
OP06	0.046	0.563	0.568	0.915	0.355
OP07	0.157	0.594	0.594	0.874	0.389
TR02	0.168	0.448	0.403	0.326	0.872
TR03	0.162	0.450	0.481	0.355	0.906

Source: Researcher

4.8.2.1 Discriminant Validity

Discriminant validity is another criterion, which assesses the degree to which a variable is truly different from other variables (Bryne, 2010; Hair *et al.*, 2010). Therefore, a greater level of discriminant validity suggests that a latent variable is distinctive and captures some phenomena that other variables do not. There are many ways to capture discriminant validity; a more accurate process is to contrast the AVE values for any two constructs with the square of correlation estimate within these two constructs. In addition, the AVE must be higher than the square correlation estimate (Bryne, 2010; Hair *et al.*, 2010).

Another method of doing this is by comparing the square-root of AVE for a given construct with the absolute correlations of that variable and all other variables (Tang, Luei, & Xiao, 2011). For either, however, the AVE must be higher than the construct correlation in order to ascertain discriminant validity (Fornell, & Larcker, (1981). In the present study in an effort to evaluate the discriminant validity, the square root of the AVE for each construct was used (Bryne, 2010; Hair *et al.*, 2010; Fornell, & Larcker, 1981). The square roots of AVE coefficients were then presented in the correlation matrix along the diagonal. The squared AVE should be greater than the squared correlation estimates to provide good evidence of discriminant validity (see Table 4.13) (Hair *et al.*, 2006).

In order to ascertain sufficient discriminant validity, the diagonal coefficients or elements must be greater than the off-diagonal coefficients or elements in the equivalent rows and columns (Bryne, 2010; Hair *et al.*, 2010). Table 4.13 shows the results of the discriminant validity analysis of the constructs used in this study. Along the diagonal, the table shows square roots of AVE for all the constructs indicating a higher square root of AVE for Trust (0.889), and lower for Organizational culture (0.653). However, all the square roots of AVE for the constructs are greater than the off-diagonal coefficients or elements in the corresponding rows and columns. In addition, this indicates that each variable shares more variance with its items than with other constructs, and, thus supports discriminant validity (Bryne, 2010; Hair *et al.*, 2010).

Table 4.13
Discriminant Validity

CONSTRUCTS	OC	PE	CU	OP	TR
Commitment (OC)	0.80				
Perceived Ethics (PE)	0.27	0.72			
Organizaional Culture (CU)	0.30	0.59	0.65		
Performance (OP)	0.04	0.61	0.62	0.82	
Trust (TR)	0.18	0.50	0.49	0.38	0.88

Note. Diagonals that appear in bold signify the average variance extracted while the other entries represent the squared correlations.

In general, the results represented in Tables 4.7 - 4.13 display that measure for all the five variables: Commitment, Trust, Perceived Ethics, Organizational Culture and Performance found to be suitable measures of their individual variables, and are in line with their parameter estimates and numerical significance (Chow & Chan, 2008).

4.8.2.2 Face Validity

According to Sekaran and Bougie (2010), face validity provides a signal that the items that are intended to measure a construct seem to have measured it. In respect to the measurement scale of this study, six experts – Associate Professor and Senior lecturers in UUM- were consulted and their suggestions and observations are noted and effected. The choice of the dimension items was based on commonly established measures and suggestions designed to acquire content validity (Cronbach, 1951; Straub, 1989). For that reason it is accurate to say that the assessment scales representing the main variables of this study have fulfilled the validity criteria.

4.8.2.3 Nomological Validity

In order to appraise nomological validity correlation matrix was used in line with the Hair *et al.* (2010) recommendation, they stress that nomological validity is the degree to which a variable connected to other variables in a theoretically dependable manners. This enables one to examine the extent of relationships among the variables under examination based on the recognized literature. Previous studies

have established some form of relationships among the variables in this study, namely, commitment, trust, perceived ethics, organizational culture and performance. Thus, to statistically confirm this relationship, correlation analysis was run. From Table 4.13 above it can be seen that the variables have significant positive correlation, and, therefore, nomological validity is supported. Having presented the outcomes of the assessment model for this study which indicated that the measures for all the constructs are reliable and valid, the subsequent step is to present results of the structural model.

4.9 Revision of Proposed Theoretical Model

In order to understand the structural model involving main and mediating effects concerning the present study, there is need to revise the proposed theoretical model. As the initial proposed theoretical model has been modified, this section highlights the revised theoretical framework for clearer understanding of the hypothesized relationships under examination. The proposed model was modified as a result of the CFA conducted, as explained above. The PLS CFA caused some modification in the previous proposed model because of elimination of some items. The previous theoretical model had three independent constructs – commitment, trust and perceived ethics and one endogenous construct – performance, which were connected through the mediating role of organizational culture.

Further, the proposed initial commitment variable consisted of nine indicators that were adapted from Huang *et al.* (2005) and Ahmad *et al.* (2011). Subsequently, only seven indicators were retained. Concerning trust, the proposed initial model that was adapted from Ellen *et al.*, (2006) consisted of three indicators, and then, the revised trust variable retained two indicators. Regarding perceived ethics, the initial model was adapted from Curras-Perez *et al.*, (2009) with six indicators presently; and the revised model retained four indicators. Similarly, organizational culture were adapted from Ahmad *et al.* (2011); Wallach, (1983) consisted of 24 indicators, and the revised model retained 11 indicators. Lastly, the proposed initial performance variable model consisted of seven indicators that were adapted from Kaplan and Norton (1992); Hilman and Mohammed (2011). And the revised model retained only three indicators.

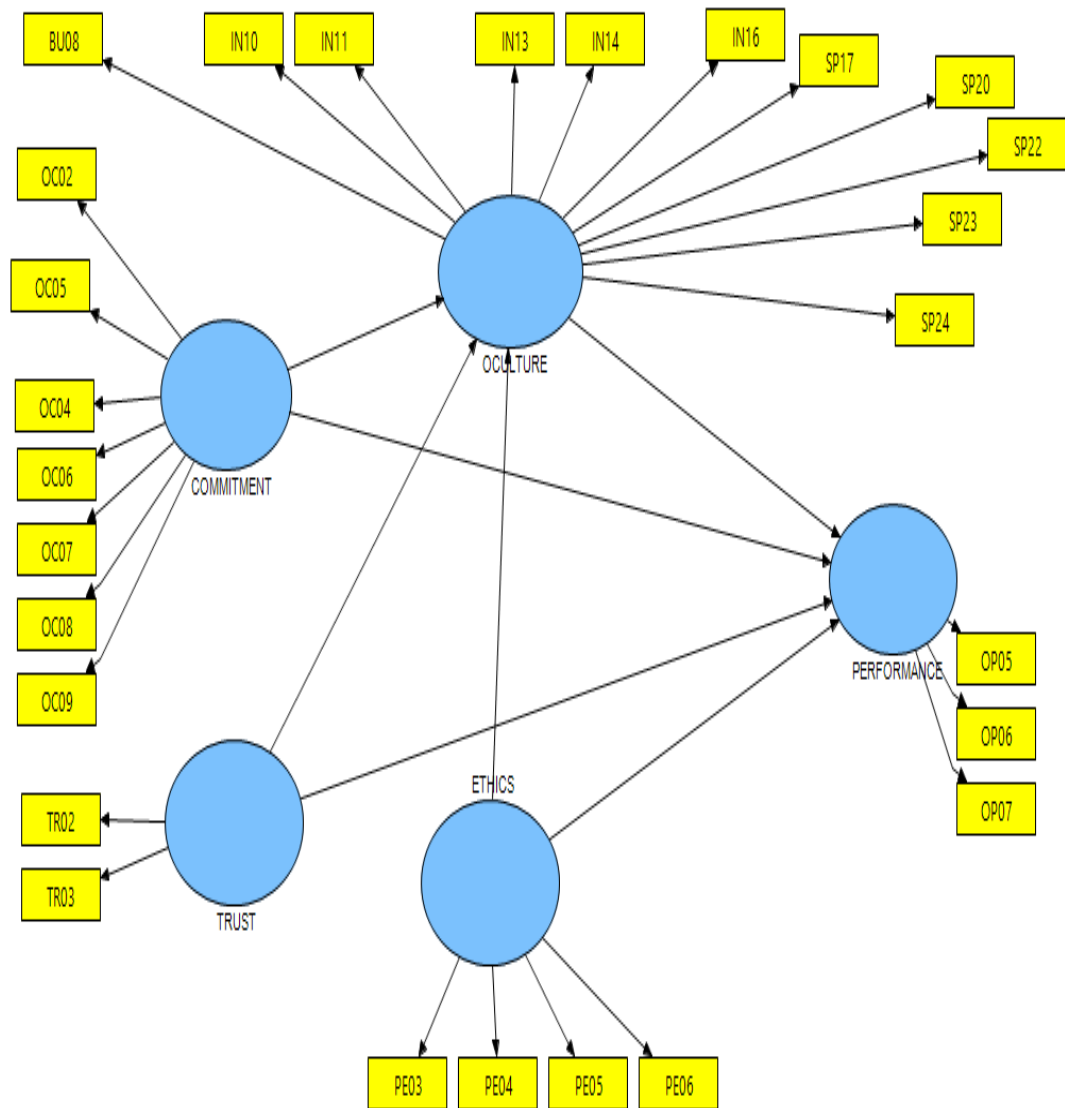


Figure 4.1
Revised Model

The revised model as shown in Figure 4.1 indicates that Commitment has seven indicators, Trust, two indicators, Perceived Ethics, four indicators, Organizational Culture, 11 indicators and Performance, three indicators. Hence, the revised theoretical framework includes three exogenous variables (Commitment, Trust and Perceived Ethics) and one endogenous variable (Performance) linked by one mediating variable of organizational culture. In addition, the revised framework provides for ample and better understanding of effects of commitment, trust and perceived ethics on performance through the organizational culture construct. The next section discusses on preliminary analysis concerning GoF measure.

4.10 Global fit Measure (GoF)

Before analyzing the results of the structural model, where main and mediating effects are presented, analysis concerning GoF is discussed. The findings from this analysis help the current study by given valid conclusions about the PLS structural model and positive signal for global application of the model. The GoF for the PLS path modelling is the geometric mean of the average communality (outer measurement model) and the average R² for the dependent constructs (Hair *et al.*, 2013; Tenenhaus, Amato, Esposito, & Vinzi, 2004). Hence, GoF becomes an index for validating the PLS model using the performance of assessment and structural models. Furthermore, GoF is used to determine the whole fit of the model (Tenenhaus *et al.*, 2005). The closer the GoF index is to 1, the better the fit of the model under examination. In order to maintain the validity of the current PLS model, GoF value was projected according to the guidelines suggested by Wetzels,

Odekerken-Schröder, and Oppen (2009). Specifically, Table 4.14, demonstrates PLS output, and provides understanding on GoF achieved in this study.

Table 4.14
Global fit Measure for all Constructs

Constructs	Communality	Composite reliability	R square
COMMITMENT	0.65	0.92	
ETHICS	0.51	0.81	
ORG.CULTURE	0.43	0.89	0.42
PERFORMANCE	0.67	0.85	0.39
TRUST	0.79	0.88	
GEOMT. MEAN	0.59		0.41
	GoF =	0.59*0.41	
	GoF =	0.49	

Source: Researcher

Additionally, GoF for the models was calculated using the following formula:

$$GOF = \sqrt{\bar{R}^2 \times \text{Average Communality (AVE)}}$$

$$GOF = \sqrt{0.407 * 0.598}$$

$$GOF = 0.493$$

In order to understand and ascertain the sufficiency of global PLS model's validity accurately, Wetzels *et al.* (2009) provide baseline values as follows: (a) 0.1 equals to small, (b) 0.25 equals to medium and (c) 0.36 equals to large. In this study the GoF is 0.49, which is large, thus indicating the evidence of sufficient PLS model validity (Wetzels *et al.*, 2009). In addition, GoF of this study established the explanatory power of the model.

4.11 R² and Effects Sizes

This section discusses R² and effect sizes of the model, firstly, R² reflect the stage or contribute to the latent constructs that account variance and for those reason asses the regression functions goodness of fit (Backhaus, *et al.*, 2003). Consequently, different from covariance based methods, the PLS approach does not allow only statistical test to measure the calibrated models overall goodness, which is mainly due to the postulation of distribution free variance (Hair *et al.*, 2013). On the other hand, non – parametric test can be useful to assess the structural models quality, a reasonable metric for deciding the structural model or inner model is the dependent variables determination coefficient (R²). In terms of multiple regression coefficients, the assessment of the model's excellence should also be based on the path coefficients direction and significant level (Hair *et al.*, 20103; Chin, 1988b).

R² is an accurate term that can presume values between 0 and 1, Backhaus *et al.* (2003) state that no generalizable report can be made about adequate yardstick value of R², the better the R² is, the bigger the percentages of variance explained. In addition, according to Cohen (1988), R² values for dependent latent variables are evaluated as follows:

✓ 0.26	substantial
✓ 0.13	moderate
✓ 0.02	weak

Table 4.15
R² of the Endogenous Variables

Constructs	R ²	Assessment criterion suggested by Cohen (1988)
Organizational culture	0.42	Substantial
Performance	0.39	Substantial

Sources: Researcher

In line with the results demonstrated in Table 4.15, the R² for organizational culture was found to be 0.42 indicating that BSR (commitment, trust and perceived ethics) can account for 42% of the variance in organizational culture, similarly, R² of performance was found to be 0.39 signifying that BSR (commitment, trust and perceived ethics) can account for 39% of the variance in performance. Based on the assessment criterion suggested by Cohen (1988), as above, this study R² is considered substantial representing the influence of BSR (commitment, trust and perceived ethics) in explaining the organizational culture and performance as mediating and dependent variable respectively.

A part from R² metrics of all dependents constructs, the change in the determination coefficient reveals in as much an independent latent variable which has a substantial control on the endogenous latent variable. Different to conventional partial F-test, Cohen (1988) introduced an effect sizes that is contrary to the F-test; the effect size of f² does not mean to the sample at all, but to the fundamental populace of analysis. As a result, no degree of independence needs to be well thought-out. Consequently, this is acceptable by the information that if a variance based structural equation

model procedure more logically with square correlation values, it is more suitable to work straight forwardly with f^2 values rather than f (Cohen, 1988).

Consequently, for decision-making purposes it is not so much the importance that counts but the disparity effects of the latent constructs. Hence, effects size is a way to evaluate how much as a predictor construct has a substantive control on the dependent variable, which can be explored in the course of the effect sizes f^2 , the higher the f^2 the better the control of the independent constructs (Cohen, 1988).

The effect is defined as follows:

$$\text{Effect size : } f^2 = \frac{R_{incl}^2 - R_{excl}^2}{1 - R_{incl}^2}$$

Whereas:

f^2 = effect sizes

R^2_{incl} = R square inclusive

R^2_{excl} = R square exclusive

1 = is constant

Therefore, the change in the endogenous variable determination coefficient is examined by calculating the structural model twice i.e once with and once without the exogenous variables (R^2_{incl} and R^2_{excl}) values. Thus, following Cohen's (1988) criterion, f^2 is evaluated as:

- ✓ 0.02 small
- ✓ 0.15 medium
- ✓ 0.35 large

Therefore indicating the latent exogenous variable has an influence on the particular latent dependent variable (Cohen, 1988). It is significant to recognize that a small f^2 does not essentially imply an insignificant effect (Limayen, Hirt, & Chin, 2001).

Table 4.16
Effect Sizes of Latent Variables (f^2)

Constructs	f^2	Rating criterion suggested by Cohen (1988)
Commitment	0.02	Small
Trust	0.00	None
Perceived ethics	0.20	Medium
Organizational culture	0.22	Medium

Sources: Researcher

Based on Table 4.16, the result of this study reveals that the effect sizes on the association between commitment and performance is small, the effect sizes on the association between trust and performance indicates no statistical influences which means no effect sizes, in addition, the effects sizes smaller than 0.02 indicate a lack of substantiality, since insubstantiality effects means insignificant control on the explanandum, they received smallest attention and may likely yield significant theoretical or managerial implications (Hanseler, Fassort, Dijkstra & Wilson, 2012). The effect sizes on the association between perceived ethics and performance is medium, and finally the effect sizes on the association between organizational culture and performance is medium influence on the endogenous variables (Cohen, 1988).

4.12 Predictive Relevance (Q^2)

Another assessment of the structural model involves the model's capacity to predict. The leading measure of predictive relevance is the Stone and Geisser's Q^2 (Geisser 1974; Stone 1974). They assumed that the model should be able to effectively predict each dependent latent variable indicator (Hair, Ringle & Sarstedt, 2011). Therefore, Q^2 value is obtained by using a blindfolding procedure, PLS estimate the omitted values in each block wise, the sum of square of prediction error (e) and sum of square of original (omitted) value (o). Furthermore, it is essential to note that the exclusion distance d must be selected so that the number of legitimate explanations divided by d is not an integer. Previous results reveal that d values between five and 10 are more valuable (Hair *et al.*, 2011).

Blindfolding procedure is only applied to endogenous latent constructs that have a reflective measurement model specification. Assessing predictive relevance or capability of a model (Q^2) comes in two approaches first the cross-validated redundancy and secondly communality. Hair *et al.* (2011) recommend using the cross-validated redundancy, which is different from the cross validated communality, because the PLS-SEM calculate all the entire structural model and the measurement models for data prediction and, thereby, perfectly fits the PLS-SEM advance (Hair *et al.*, 2011). If an endogenous construct's cross-validated redundancy measure value (i.e., Q^2) for a certain dependent latent variable is larger than zero, its explanatory latent constructs exhibit predictive relevance (Chin, 1988; Hair *et al.*, 2011). Chin, (1988), set three criteria (i) if Q^2 is 0.02, then the model has small

predictive relevance, (ii) if Q^2 is 0.15, then the model has medium predictive relevance, and (iii) if Q^2 is 0.35, then the model has large predictive relevance.

This study used cross-validated redundancy based on the recommendation of Hair *et al.* (2011, 2013), using blindfolding procedure. The results in Tables 4.17 shows that all the endogenous latent constructs have exhibited predictive relevance, for example organizational culture (CU) has $Q^2 = 0.16$, and performance (OP) has $Q^2 = 0.33$, which are within the range of predictive capability of the model (Hair *et al.*, 2011, 2013).

Table 4.17
Predictive Relevance

Total	SSO	SSE	1-SSE/SSO
Organizational culture	5346	4442.85	0.16
Performance	1458	969.60	0.33

Sources: Researcher

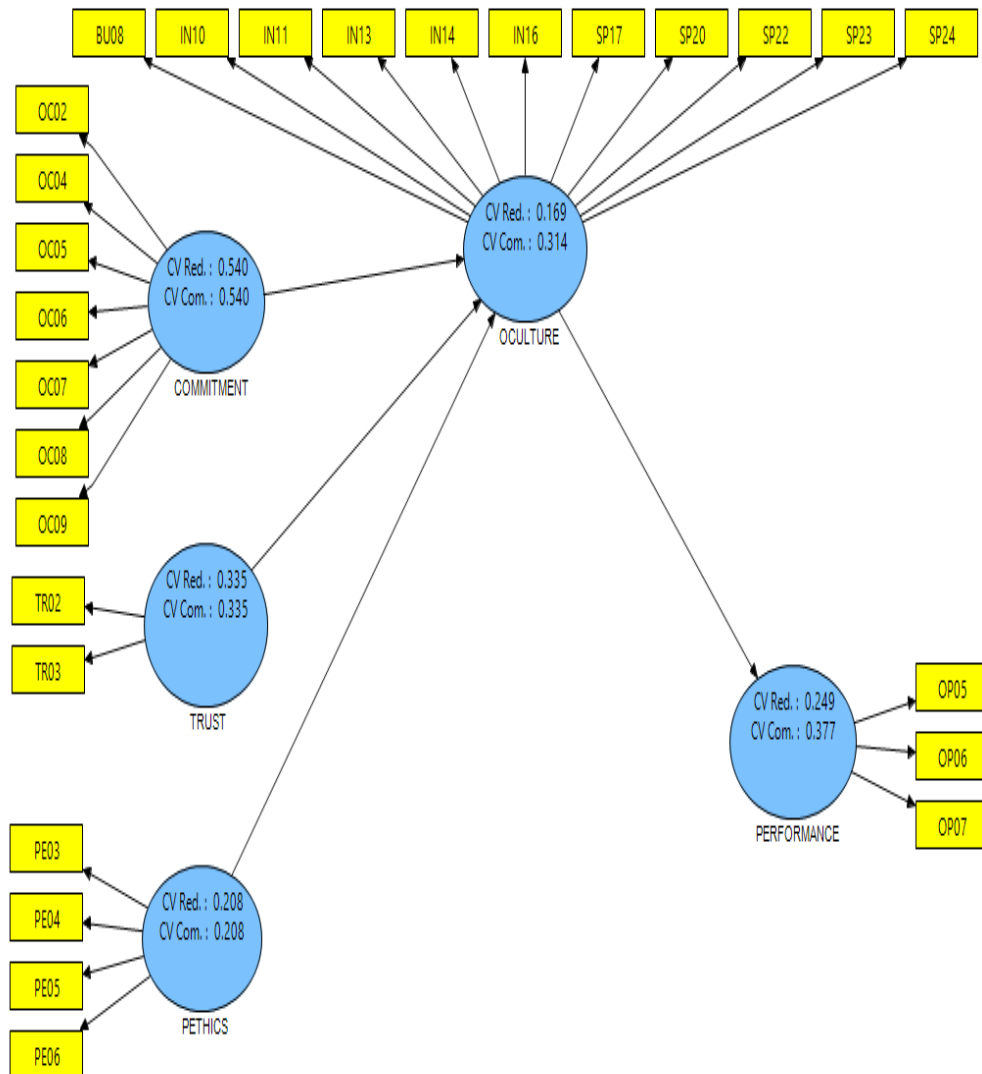


Figure 4. 2
PLS Predictive Relevance Model

4.12.1 Q² Effect Sizes

Another assessment criterion which is similar to f² effect sizes method for assessing R² values is called Q² Effect Sizes. The estimation of Q² Effect Sizes is an equivalent method (Hair et al., 2013), and these must be calculated manually due to the fact that SmartPLS does not have the process (Hair et al., 2013). Moreover, instead of the R² values the Q² values of the predictive relevance are used as inputs after running the blindfolding method (Hair et al., 2013). The result indicates how an exogenous construct has a small, medium or large predictive relevance for a certain endogenous construct. The Q² Effect Sizes can be computed with the following formulae:

$$Q^2 \text{ Effect Sizes: } Q^2 = \frac{Q^2 \text{ Incl} - Q^2 \text{ excl}}{1 - Q^2 \text{ incl}}$$

Whereas:

Q² = effect sizes

Q² incl = Q square inclusive

Q² excl = Q square exclusive

1 = is constant

Consequently, the change in the endogenous variable determination coefficient is examined by calculating the structural model in twice i.e once with and once without the exogenous variables (Q² incl and Q² excl) values. Thus, following Cohen's (1988) rules of thumb criterion, Q² is evaluated as:

✓ 0.02	small
✓ 0.15	medium
✓ 0.35	large

Indicating the latent exogenous variable has a predictive relevance on the particular latent dependent variable (Hair et al., 2013).

Table 4.18
Effect Sizes of Latent Variables (Q^2)

Constructs	Q^2	Rating criterion suggested by Cohen (1988)
Commitment	0.26	Medium
Trust	0.25	Medium
Perceived ethics	0.08	Small
Organizational culture	0.10	Small

Sources: Researcher

In line with the Table 4.18 above, the result of this study reveals that the effect sizes on the association with respect to commitment and performance is medium, the effect sizes on the association between trust and performance indicate that none statistical influences which means that Medium effect sizes, Similarly the effect sizes on the relationship between perceived ethics and performance is small, and finally the effect sizes on the association with regards to organizational culture and performance reveals small influences on the endogenous variables (Cohen, 1988).

4.13 Structural Model

This section analyzes the structural modelling in order to establish the association of the modelling as a total. Additionally, this section is also concerned with testing of the hypotheses related to the main and mediating effects. PLS path approach multiple regressions were conducted for the main effects. Using the PLS bootstrapping output, the direct and mediating effects are calculated; subsequent to further observe the association with respect to each aspect indicated in the theoretical framework in this section, all the samples underwent SEM analysis to validate the conceptual framework mentioned in this study and to know the association between each dimension.

This study conducted two-stage SEM analysis proposed by Hair *et al.* (2010, 2011); Anderson and Gerbing (1988); and Williams and Hazer (1986): first CFA and Cronbach's coefficient analyses were conducted. In addition, an established measurement model was developed through analysis of convergent validity, discriminant validity and reliability, an assesment model was confirmed; secondly the structural model was used to estimate the degree to which the hypothesized model fit the data. The benefit of the two-stage analysis is important for structural model analysis (Anderson & Gerbing, 1988), and that the measurement model and structural model were different (Hair *et al.* 2010; Anderson & Gerbing, 1988). Prior to examining the main and mediating effects, or examination of the hypotheses, the hypotheses are stated again to reflect all variable of the model.

4.14 Summary of the Hypotheses

This section explains the direct hypotheses which comprise composition of constructs measurements after CFA was conducted. The examination of the various hypotheses in this section is based on the revised or final model, which has achieved reasonable values with regards to GoF.

4.15 Main Effects of Hypotheses

Based on the model for this study, seven main effect hypotheses were formulated. The formulated hypotheses involve the relationships between commitment, trust and perceived ethics as the exogenous constructs, organizational culture as the mediating construct and lastly performance as the endogenous variable:

Hypothesis H1: Commitment to BSR is significantly related to Organizational Performance.

Hypothesis H2: Trust of BSR is significantly related to Organizational Performance.

Hypothesis H3: Perceived Ethics is significantly related to Organizational Performance.

Hypothesis H4: Commitment to BSR has significant influence on Organizational Culture.

Hypothesis H5: Trust of BSR has significant influence on Organizational Culture.

Hypothesis H6: Perceived Ethics has significant influence on Organizational Culture.

Hypothesis H7: Organizational Culture has significant influence on Organizational Performance.

4.16 Mediating Effects of Hypotheses

Related to the above section, the three mediating effects hypotheses were formulated accordingly based on the results obtained from the PLS CFA as discussed earlier. Specifically, the hypotheses are concerned with the mediating effects of organizational culture on the relationship between commitment, trust, perceived ethics, and performance constructs.

Hypothesis H8a: Organizational Culture significantly mediates the relationship between Commitment to BSR and Organizational Performance.

Hypothesis H8b: Organizational Culture significantly mediates the relationship between Trust of BRS and Organizational Performance.

Hypothesis H8c: Organizational Culture significantly mediates the relationship between Perceived Ethics and Organizational Performance.

4.17 Main Effects

In an attempt to examine the main relationship effects within the constructs, SEM PLS analysis was conducted. The individual role of each independent variable was represented by the standardized beta values within the PLS structural model (Chin, 1998b). In addition this study is concerned also with explaining the mediating effect of organizational culture on the relationship between three independent variable (i.e. commitment, trust and perceived ethics), and dependent variable (performance).

Consequently, in order to understand the main effect the results are in three main sections. First section, presents main/direct relationships between the independent variable (i.e. commitment, trust and perceived ethics) and performance constructs. The second, section presents main/direct relationships between independent variables (i.e. commitment, trust and perceived ethics) and organizational culture. The third section, presents main/direct relationships between organizational culture and performance constructs. All the relationships are represented by standardized beta values. In testing the structural model relationships, the significance level was set at $p < .05$ and $p < .01$ (Hair *et al.*, 2010).

4.17.1 Exogenous Variable and Performance

In this section attempt is been made to show the results of main effects for independent variables (commitment, trust and perceived ethics) and performance as earlier hypothesized. The direct hypotheses or main effects are the hypotheses that directly link a latent construct with another, as indicated by an arrow. Table 4.19 shows the standardized path coefficient (β), standard error, t-values and decision taken. Similarly, Figures 4.3; 4.4 graphically signifies standardized path coefficient (β) and t-values for the hypothesized relationships. As indicated in the figures and Table 4.19, two out of the three direct relationships between the three exogenous constructs and performance constructs demonstrate significant positive effects. One path demonstrates non-significant effects. In addition, two significant relationships include: (i) Trust (TR) and Organizational Performance (OP) ($\beta = 0.10119$; $t =$

1.985598, $p < 0.05$); (2) Perceived Ethics (PE), and Organizational Performance OP ($\beta = -0.577496$; $t = 11.269648$, $p < 0.001$)

Table 4.19
Results for Exogenous Construct, and Performance

Path coefficient	Beta (β)	Standard Error	T Statistics	P value	Decision
CM -> OP	0.019	0.103	0.183	0.854	Not Supported
PE -> OP	0.577***	0.051	11.269	0.001	Supported
TR -> OP	0.101***	0.050	1.985	0.047	Supported

Note. *** Indicates the item is significant at the $p < 0.01$ level, Commitment (CM); Perceived Ethics (PE); Trust (TR); Performance (OP).

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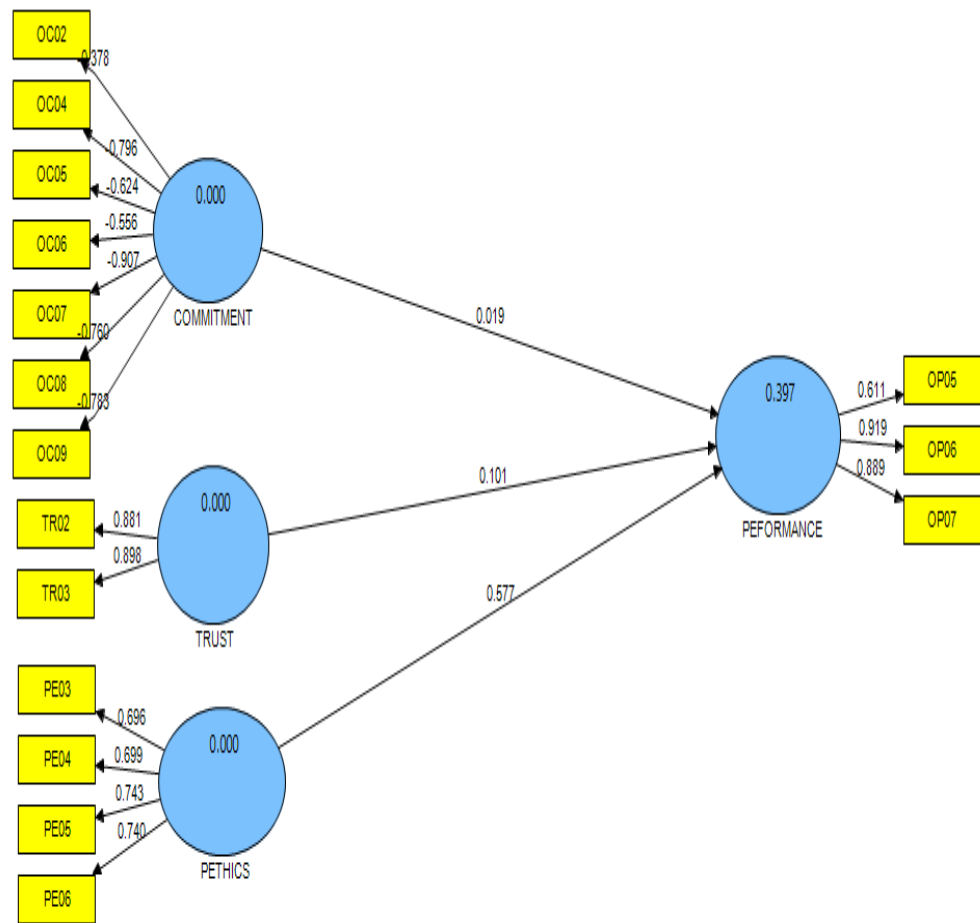


Figure 4.3
PLS Algorithm Graph for Exogenous Construct, and Performance

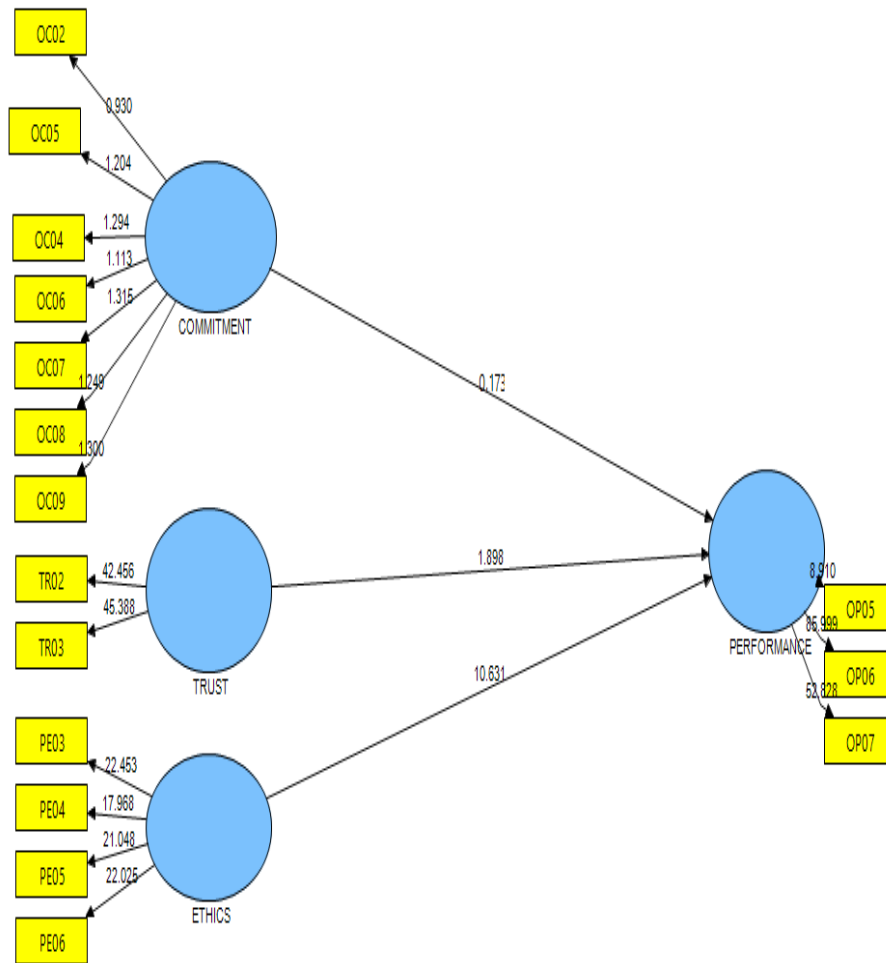


Figure 4.4
PLS Bootstrap Graph for Exogenous Construct, and Performance

Hypothesis 1: *Commitment to BSR is significantly related to Organizational Performance*. Results from PLS output shows that this hypothesis is not accepted. The result reveals that path coefficient from commitment to performance (CM -> OP) is not statistically significant with a weak beta (β) value and low t-value of less than 1.96 ($\beta = 0.019038$, $t = 0.183933$, $p = 0.8541$).

Hypothesis 2: *Trust of BSR is significantly related to Organizational Performance*. The second hypothesis is established and consequently, accepted. The results shows that there is positive and significant relationship between trust and performance ($\beta = 0.10119$, $t = 1.985598$, $p = 0.0476$). The beta value is reasonably high and the t-value > 1.96 .

Hypothesis 3: *Perceived Ethics is significantly related to Organizational Performance*. The third direct hypothesis is also accepted based on PLS output, which shows that there is a statistically significant relationship between perceived ethics and performance. In addition, the relationship between the constructs is positive ($\beta = 0.577496$, $t = 11.269648$, $p = 0.0001$). The relationship between the two variables is strongly significant at $p < 0.01$ with a relatively high beta value and t value > 2.58 .

In general, insignificant results concerning relationships between commitment and performance constructs appear to be unanticipated and surprising. This result appears surprising because the hypothesized positive commitment was expected to lead positive outcomes for firms, and also expectation of ethical philanthropic is positively influence BSR support by stakeholder (Podnar & Golob, 2007; Worcester, 2009), and a result increase performance.

4.17.2 Exogenous Construct and Organizational Culture

Table 4.20 and Figures 4.7, and 4.8, illustrate three of the hypothesized relationships concerning the exogenous variable (commitment, trust and perceived ethics) and organizational culture which were confirmed to be significant. Three significant relationships appear to be positively and strongly significant. These comprise: (1) Commitment (CM) and Organizational Culture (CU); ($\beta = 0.126086$; $t = 4.461908$); (2) Trust (TR) and Organizational Culture (CU) ($\beta = 0.260648$; $t = 4.304728$; and (3) Perceived Ethics (PE) and Organizational Culture (CU), ($\beta = 0.43026$; $t = 7.949485$).

Table 4.20
Results for Exogenous Construct and Organizational Culture

Path coefficient	Beta (β)	Standard Error	T Statistics	P value	Decision
CM -> CU	0.126***	0.028	4.461	0.001	Supported
PE -> CU	0.430***	0.054	7.949	0.001	Supported
TR -> CU	0.260***	0.062	4.304	0.001	Supported

Note. *** Indicates the item is significant at the $p < 0.01$ level, Commitment (CM); Perceived Ethics (PE); Trust (TR); Performance (OP).

Table 4.20 and Figures 4.5 and 4. 6, illustrate three of the hypothesized relationships concerning the exogenous variable (commitment, trust and perceived ethics) and organizational culture which were confirmed to be significant. Three significant relationships appear to be positively and strongly significant. These comprise: (1) Commitment (CM) and Organizational Culture (CU); ($\beta = 0.126086$; $t = 4.461908$, $p = 0.001$); (2) Trust (TR) and Organizational Culture (CU) ($\beta = 0.260648$; $t = 4.304728$, $p = 0.001$); and (3) Perceived Ethics (PE) and Organizational Culture (CU), ($\beta = 0.43026$; $t = 7.949485$, $p = 0.001$).

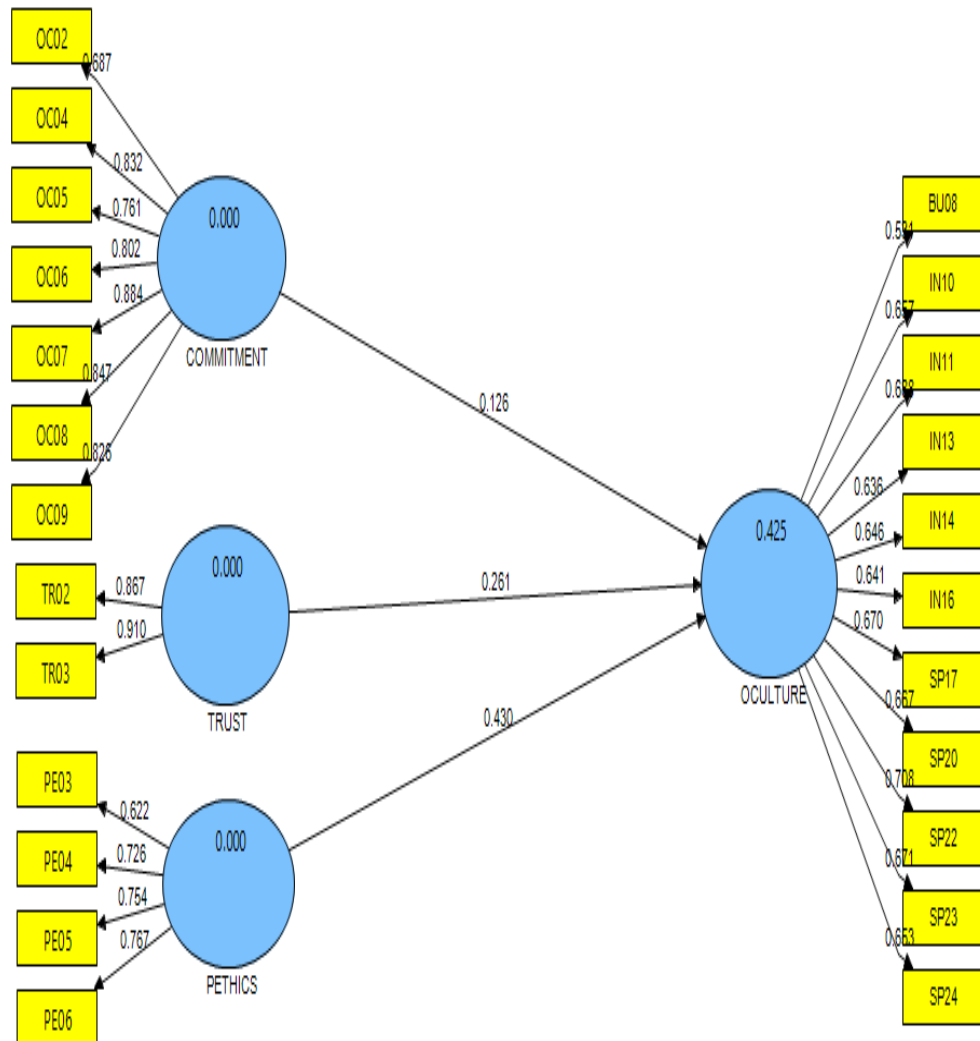


Figure 4.5
PLS Algorithm Graph for Exogenous Construct and Organizational Culture

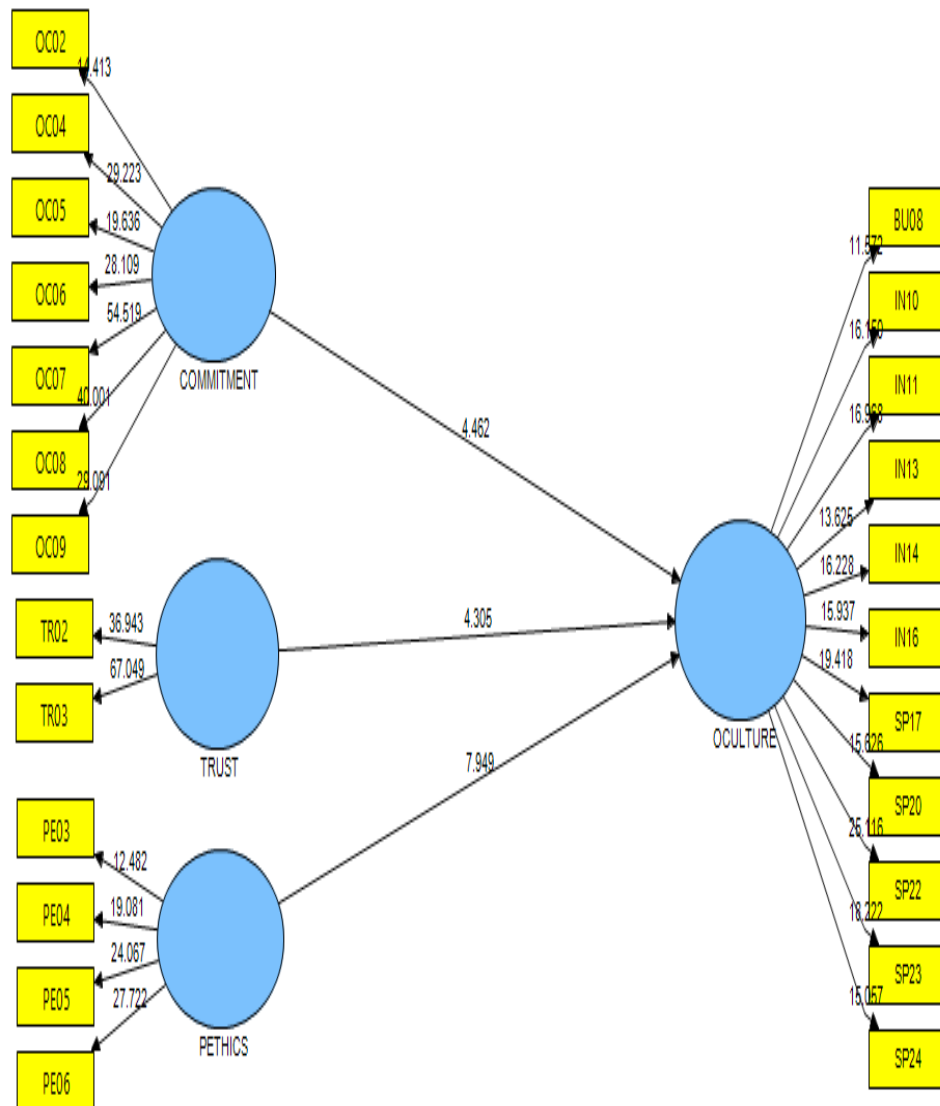


Figure 4.6
PLS Bootstrap Graph for Exogenous Construct and Organizational Culture

Hypothesis H4: *Commitment to BSR has significant influence on Organizational Culture.*

The fourth hypothesis is established and consequently, accepted. The results shows that there is positive and significant relationship between commitment and organizational culture ($\beta = 0.126086$, $t = 4.276448$ $p = 0.0001$). The beta value is reasonably high and the t-value > 2.58 .

Hypothesis H5: *Trust of BSR has significant influence on Organizational Culture.*

The fifths direct hypothesis is also accepted based on PLS output, which shows that there is a statistically significant relationship between trust and organizational culture. In addition, the relationship between the constructs is positive ($\beta = 0.260648$, $t = 4.461908$, $p = 0.0001$). The relationship between the two variables is strongly significant at $p < 0.01$ with a relatively high beta value and t value > 2.58 .

Hypothesis H6: *Perceived Ethics has significant influence on Organizational Culture.* This hypothesis which postulates a relationship between perceived ethics and organizational culture is accepted. This is based on the PLS output result which reveals the construct is significantly and positively related ($\beta = 0.43026$, $t = 7.949485$, $p = 0.0001$). The beta value is reasonable and the $t > 2.58$ well above the benchmark.

Specifically, the results also reveal that an organization concern for social responsibility depends on its association with its organizational culture. Additionally, results demonstrate that fulfilling promise to the community (trust) also depend its on relationship with the organizational culture. Finally, the results also show that managers/owners perception of social responsibility is very much related to organizational culture. Consequently, from the three hypothesized the relationships between exogenous variable (commitment, trust and perceived ethics) and organization culture, all the three hypotheses including H4, H5 and H6 are empirically supported and, for that reason, are accepted.

4.17.3 Organizational Culture and Performance

After that, results demonstrated in this section are related with the relationships between organizational culture and the performance constructs. As indicated in Table 4.20 and Figures 4.7, and 4.8. PLS output results reveal that Organizational Culture is extremely statistically significantly related to performance ($\beta = 0.633734$; $t = 13.995979$, $p < .0001$) positively and strongly.

Table 4.21

Results for Organizational Culture and Performance

Path coefficient	Beta (β)	Standard Error	T Statistics	P value	Decision
CU -> OP	0.633***	0.045	13.995	0.001	Supported

Note. *** Indicates the item is significant at the $p < 0.01$ level, Organizational Culture (CU), and Performance (OP).

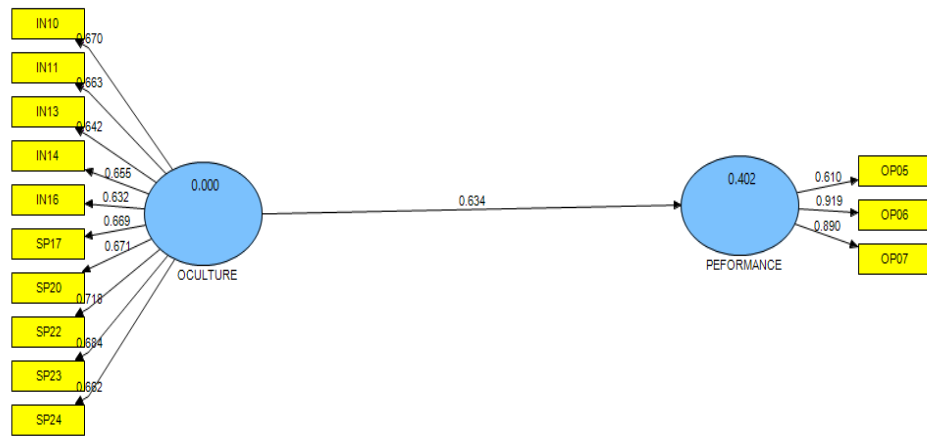


Figure 4.7
PLS Algorithm Graph for Organizational Culture and Performance

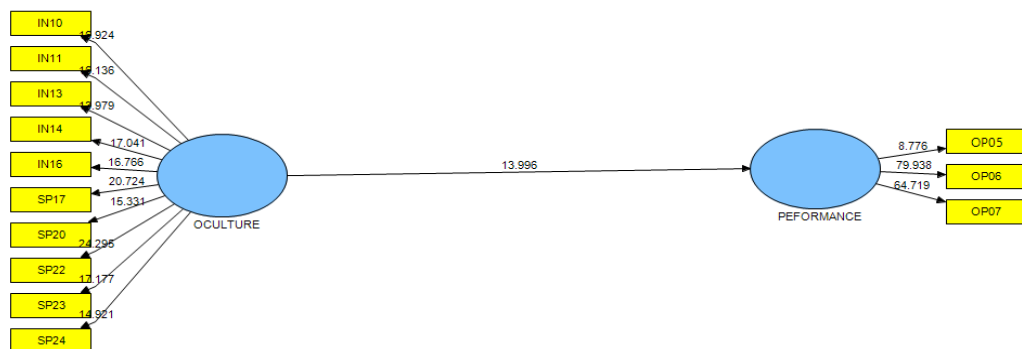


Figure 4.8
PLS Bootstrap Graph for Organizational Culture and Performance

Hypothesis H7: *Organizational Culture has significant relation with Organizational Performance*. The seventh hypotheses that predicts a positive association between organizational culture and performance is equally accepted. The result for this hypothesis is stronger than any other hypothesis's result in this study. For example, both the beta value and t-value are substantial enough ($\beta = 0.633734$, $t = 13.995979$, $p = 0.001$).

The result of the organizational culture and performance relationship reveals that when organizational culture is concerned with the BSR actions, this is highly related to performance. Hence, the results suggest that if organizational culture exhibits social responsible actions, this surely has a positive effect on its performance. Therefore, as initially hypothesized, hypotheses H7 regarding the relationships between organizational culture and performance is strongly and empirically supported, and therefore, accepted. Having presented results of the main effects and the related test of hypotheses, the next section is to present the analysis on conclusion of direct hypotheses tested

4.17.4 Conclusion of Direct Hypotheses Test

This section discusses a comprehensive two stage analysis that was used in the study based on the recommendation of Anderson and Gerbing (1988); and Williams and Hazer (1986); a measurement model was conducted, as well as a structural model performed. The measurement model ascertains and tests the association between various constructs and their indicators, and therefore, provides a confirmatory evaluation of the variable validity (Bentler, 1988). The structural model assesses the causal relationships among the latent variables as indicated by the theory of Anderson and Gerbing (1988). As a final point, the test of direct or main effect relationships in this study confirms that six out of seven direct paths are reasonable and statistically significant; trust to performance, perceived ethics to performance, commitment to organizational culture, trust to organizational culture, perceived ethics to organizational culture and, organizational culture to performance. In addition, all the significant direct relationships were found to be reasonably positive. It was, however, found that the causal relationship from commitment to performance was not significant. The following discusses Mediation effect analysis.

4.18 Mediation Effect Analysis

In this section, an attempt is made to show the results of indirect hypotheses, which were earlier formulated. The Mediation test was conducted to discover if a mediator construct can significantly carry the ability of an independent variable to have an effect on a dependent variable (Ramayah *et al.*, 2011). Similarly, mediation test can determine the indirect effect of the independent variable on the dependent variable

through a mediator variable. In addition, Hayes and Preacher (2010) posit that mediation analysis in multivariate analysis can be determined through many techniques including: (1) simple techniques that consist of the causal steps approach (Baron & Kenny, 1986) or the Sobel test (Sobel, 1982); and (2) newer approaches that demand just fewer unrealistic statistical assumptions. Include among others, include the distribution of the product method (MacKinnon, Lockwood, & Williams, 2004), and re-sampling approaches such as bootstrapping (Bollen & Stine, 1990; Preacher & Hayes, 2004, 2008; Shrout & Bolger, 2002). The mediation test used for this study was based on the PLS approach; hence, the hypotheses were tested using the PLS-SEM technique (Wold, 1985).

Further, the PLS SEM technique is increasingly gaining prominence and acceptance by researchers (Hair *et al.*, 2011; House, Spangler, & Woycke, 1991; Howell & Avolio, 1993) since it is appropriate for testing complex multivariate main and indirect effects models like in this study. Even though, PLS is commonly related with smaller sample size (Kahai, & Piovoso, 2009; Preacher & Hayes, 2004), the method is also used to make inferences about parameters in studies involving large sample size (Hair *et al.*, 2011; Starkweather, 2011) like that of this present study. However, bootstrapping is the PLS method used to estimate the statistical significance of relevant path coefficients. In PLS analysis, bootstrapping represents a more exact calculation of measures (Chin, 2010). Although, PLS uses path analysis and treats direct and indirect effects simultaneously, like other mediation techniques as mentioned above, a part from that there are none method for treating mediating

models simultaneously. The PLS SEM method has been discussed in literature as a predominantly well suited technique for mediation studies (Chin, 1998b; Hair *et al.*, 2011; Hayes & Preacher, 2010; Zhao, Lynch JR., & Chen, 2010).

4.18.1 Direct and Indirect Effects

This section demonstrates results concerning the PLS structural direct and indirect effects prior to presenting the actual mediation effects of this study. Indirect effects are defined as the summation of both direct and indirect effects between two particular constructs (Albers, 2010). Baron and Kenny (1986); and Hayes and Preacher (2010) argue that indirect effect is concerned with the influence of X on Y through an intervening variable M. It is quantified as the product of paths “*a*” and “*b*” and is interpreted as the quantity that Y is expected to change as X changes as a result of X’s effect on M which, in turn, influences Y. Further, in PLS model, before actual mediation is confirmed, presenting the total effects is fundamental because it gives a complete image of the mediating constructs’ role, and as well as insights to practitioners about cause-effect relationships (Hair *et al.*, 2013).

Table 4.22
Direct and Indirect Effects

Path coefficient	Beta (β)	Standard Error	T Statistics	P value
CM -> OP	0.019	0.103	0.183	0.854
CM -> CU	0.127	0.031	4.084	0.001
CU -> OP	0.625	0.046	13.404	0.001
PE ->OP	0.577	0.051	11.269	0.001
PE -> CU	0.431	0.052	8.146	0.001
TR -> OP	0.101	0.050	1.985	0.047
TR -> CU	0.257	0.061	4.218	0.001

The results of the indirect analysis as presented in Table 4.22 and Figures 4.9 and 4.10 reveal indirect relationship between all the variables (Commitment, Trust, and Perceived Ethics) and Performance.

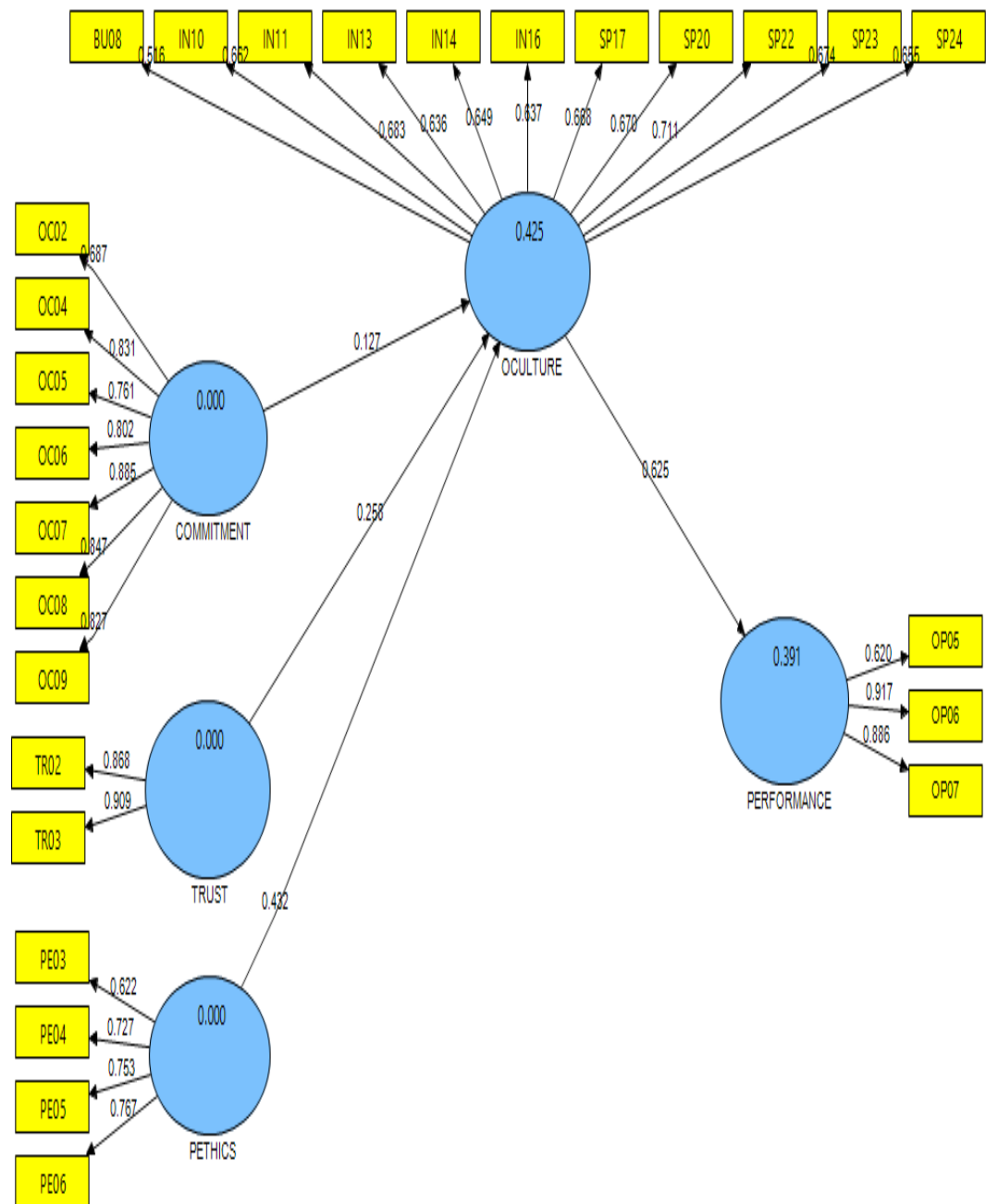


Figure 4.9
PLS Algorithm for Exogenous Variable Direct & Indirect Effects on Performance

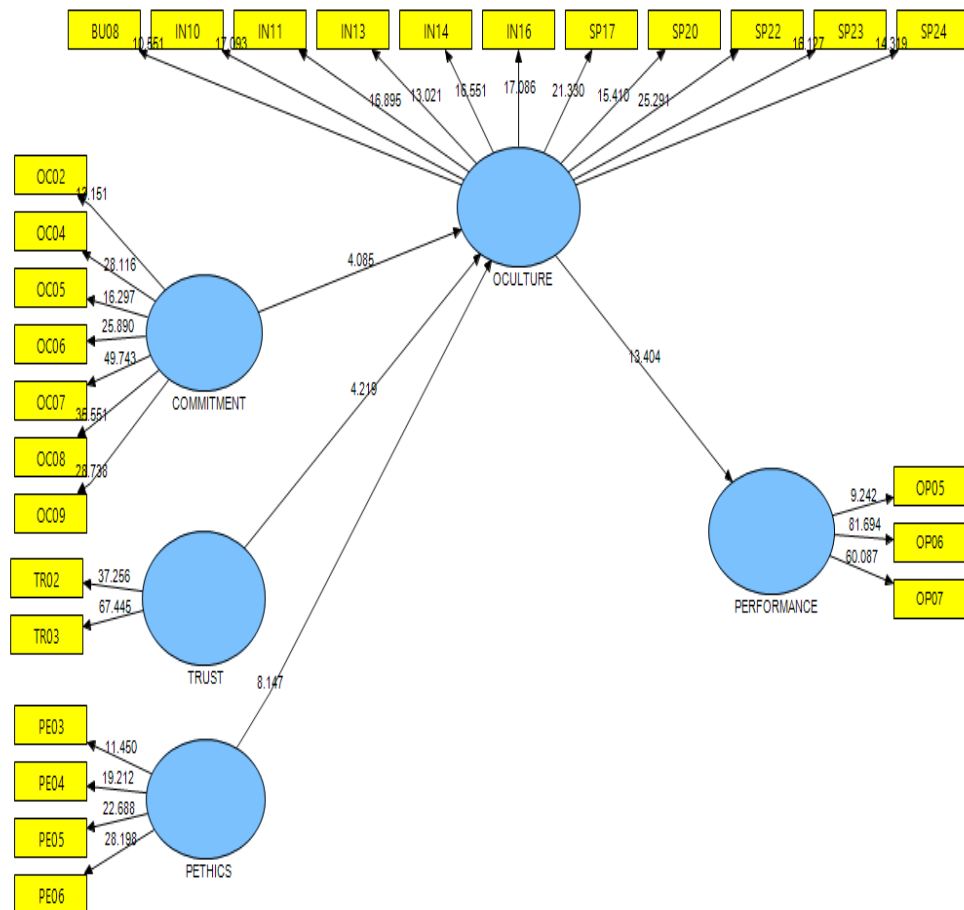


Figure 4.10
PLS Bootstrap Exogenous Variable Direct & Indirect Effects on Performance

The results of the indirect effects as shown in Table 4.22 and depicted in Figures 4.9 and 4.10 exhibit a combination of significant and not significant indirect effects; therefore, indicating potential mixed mediating effects of organizational culture on the relationship between exogenous constructs (commitment, trust, and perceived ethics) and performance. After analysis of the indirect effects within the PLS structural model, subsequent sections present the actual results of the mediation tests for all the three proposed mediating models.

4.18.2 Mediation Results

In this section attempt is made to elaborate and the mediation effect using PLS-SEM model by means of bootstrapping analysis with formulated hypotheses (Hair *et al.*, 2011; Zhao *et al.*, 2010). In addition, mediation is measured by multiplying the average of paths “a” and “b” and then dividing the obtained value by the standard error of the paths (Kock, 2013) as shown in this formula:

$$T = \frac{a \times b}{S(a \times b)}$$

Hence, this formula was used to determine the mediating effects of organizational culture on all the three relationships of this study, where:

“a” is the value of relationships between independent variable and mediating variable,

“b” is the value of the relationship between mediating and dependent variables, and

“S (a x b)” is the standard deviation of (a) and (b) above.

Both paths “a” and “b” must be obtained from the PLS bootstrapping to ascertain the significance of their coefficients and standard error (Hair *et al.*, 2013; Kock, 2013). In general, in PLS bootstrap mediation calculation, “T” represents the coefficient significance level. Mediation is established if T value is equal to or greater than 1.96 at 0.05 significance level using two tail test, or 1.64 at 0.05 significance level using one-tail test (Hair *et al.*, 2010).

In addition, this study considered Zhao, Lynch JR and Chen (2010) work which establishes five integrated typology benchmarks in assessing of mediation, three consistent with mediation and two with non mediation, as listed below:

- Complementary mediation: this exists when it occurs significantly at both direct and indirect effects.
- Competition mediation: mediation occurs as if both paths are significant then $c!$ can be close to zero, meaning at opposite direction.
- Indirect-only mediation: this exists only on the indirect effect.
- Direct- only non mediation: this exists on the direct effect.
- No-effect on mediation: this exists when there is no direct or indirect effect.

However, in this study, the mediation tests were conducted to find whether organizational culture could mediate the relationship between three exogenous variables (commitment, trust and perceived ethics) and performance as an endogenous variable. Consequently, results of the three proposed meditational relationships/models are examined in three sections. The first section presents the

meditational results regarding the relationship commitment and performance. The second section demonstrates the meditational results regarding the relationship between trust and performance, and finally, the third section demonstrates the meditational results regarding the relationship between perceived ethics and performance.

Further, to estimate the degree of the indirect effect this study used Helm, Eggert and Garnefeld's (2010), and Iacobucci and Duhachek's (2003) Variance Accounted For (VAF) value, which represents the ratio of the indirect effect to the total effect. VAF is measured by the formulae as shown below:

$$VAF = \frac{a \times b}{a \times b + c}$$

Where a = is coEfficient value between independent variable and mediating variable,

b= is coEfficient value between mediating variable and dependent variable,

c= is coEfficient value between independent variable and dependent variable.

4.18.2.1 Mediation Results for Commitment

Looking at Table 4.23, below results reveal that hypothesized meditational relationship have proven to be positively significant, indicating mediating effect of Organizational Culture. Similarly, the results indicate that Organizational Culture (CU) is statistically significant and mediates the relationship between Commitment

(CM) and Performance (OP), ($\beta = 0.060037$; $t = 0.018462$, $p < 0.0012$). The assessment of mediation is in line with Zhao *et al.* (2010) as this results reveals indirect- only mediation, meaning that mediation exists only on indirect effect.

Table 4.23
Mediation Results for Commitment

a x b		0.060
S (a x b)		0.018
T	=	3.252
P value		0.001***
Decision		Supported

Note. Values are calculated using PLS bootstrapping routine with 486 cases and 5000 samples. ***indicates the item is significant at the $p < 0.01$ level.

Therefore, this study estimated the size of the indirect effect i.e on the relationship between Commitment and Performance with mediation effect of Organizational Culture.

$$\text{VAF} = \frac{0.302 \times 0.673}{0.302 \times 0.673 + -0.162} = 0.290929 = 29\%$$

meaning that a VAF value of 29% of the total effect of Commitment on Performance is explained by indirect effect of Organizational Culture.

4.18.2.2 Mediation Results for Trust

Using the same process of PLS bootstrapping (Table 4.24), this section demonstrates results of the mediating effect of Organizational Culture on the relationship between trust and performance. The result demonstrates statistically and moderately significant, indicating mediating effect of Organizational Culture, ($\beta = 0.113249$; $t = 4.347747$, $p < 0.0001$), the assessment of mediation is in line with Zhao *et al.* (2010) as this result reveals complimentary mediation, meaning that mediation exist significantly in both direct and indirect effects.

Table 4.24
Mediation Results for Trust

a x b		0.113
S (a x b)		0.026
T	=	4.347
P value		0.001***
Decision		Supported

Note. Values are calculated using PLS bootstrapping routine with 486 cases and 5000 samples. ***indicates the item is significant at the $p < 0.01$ level.

Similarly, this study estimated the size of the indirect effect i.e. on the relationship between trust and performance with mediation effect of organizational culture.

$$\text{VAF} = \frac{0.502 \times 0.575}{0.502 \times 0.575 + 0.099} = 0.4296 = 42.9\%$$

Meaning that, a VAF value of 42.9% of the total effect of trust on performance is explained by indirect effect of organizational culture.

4.18.2.3 Mediation Results for Perceived Ethics

This section demonstrates results of the mediating effect of organizational culture on the relationship between the Perceived Ethics and Performance. Specifically, the result of this section are extremely statistically significant, indicating mediating effect of Organizational Culture, ($\beta = 0.189942$; $t = 4.556605$, $p < 0.0001$), The evaluation of mediation in line with Zhao *et al.* (2010) as this result shows a Complimentary mediation, meaning that mediation exist significantly in both direct and indirect effects.

Table 4.25

Mediation Results for Perceived Ethics

A x b		0.189
S (a x b)		0.041
T	=	4.556
P value		0.001***
Decision		Supported

Note. Values are calculated using PLS bootstrapping routine with 486 cases and 5000 samples. *** indicates the item is significant at the $p < 0.001$ level.

This study estimated the size of the indirect effect i.e. on the relationship between perceived ethics and performance with mediation effect of organizational culture.

$$\text{VAF} = \frac{0.595 \times 0.399}{0.595 \times 0.399 + 0.383} = 0.542 = 54.2\%$$

A VAF value of 54.2 % indicates that more than half of the total effect of perceived ethics on performance is explained by indirect effect of organizational culture.

Generally, the results demonstrate that among the three exogenous variables perceived ethics is mediated more strongly than the other two (Commitment and Trust). Furthermore, Zhao *et al.*, (2010) add, that complimentary mediation discussed above is comparable with Baron and Kennys (1986) partial mediation, while indirect- only mediation overlaps with their full mediation, and the other remaining competitive mediation, direct-only no mediation, and no-effect no mediation merged together as no mediation (Baron & Kenny, 1986). In line with this result which comprises the main and mediating effects, the next section presents general summary of the findings as demonstrated in Table 4.26. The Table presents a summary of the findings in relation to the tested hypotheses of this study.

4.19 Summary of Findings

In general, self reporting method has provided considerable results in examining the relationship between exogenous variables (Commitment, Trust and Perceived Ethics) through the mediating effect of Organizational Culture. The PLS CFA has confirmed the structural composition of the five constructs (commitment, trust, perceived ethics organizational culture, and performance). Using the PLS method, the multivariate analysis has statistically provided support of GoF and predictive relevance and the significance of Organizational Culture as a good mechanism through which Commitment, Trust and Perceived Ethics influence SMEs Performance.

In addition, results from PLS analysis have provided ample support for most of the hypotheses for this study. Findings reveal six significant main effects affecting the relationship between: (1) Trust (TR) and Performance (OP); (2) Perceived Ethics (PE) and Performance (OP); (3) Commitment (CM) and Organizational Culture (CU); (4) Trust (TR) and Organizational Culture (CU); (5) Perceived Ethics (PE) and Organizational Culture (CU); and (6) Organizational Culture (CU) and Performance (OP). Nevertheless, one of the significant effects/relationships: (1) Commitment (CM) and Performance (OP) is not supported and, hence, rejected because of their negative relationships which did not tally with the formulated hypothesis.

Regarding the mediating effect of Organizational Culture on the relationship between the three exogenous variables (Commitment, Trust, and Perceived Ethics) and Performance, the PLS bootstrap results have demonstrated that the three formulated hypotheses are significant. These significant mediating relationships include: (1) Commitment (CM) and Performance (OP), (2) Trust (TR) and Performance (OP); and (3) Perceived Ethics (PE) and Performance (OP),

Table 4.26

Summary of Hypotheses Testing

No	Hypotheses	Results
	Hypotheses 1	
1	Commitment (CM) to BSR is significantly related with Organizational Performance (OP)	Not supported
	Hypotheses 2	
2	Trust of BSR (TR) is significantly related with Organizational Performance (OP)	Supported
	Hypotheses 3	
3	Perceived Ethics (PE) is significantly related with Organizational Performance (OP).	Supported
	Hypotheses 4	
4	Commitment to BSR (CM) has significant influence on Organizational Culture (CU).	Supported
	Hypotheses 5	
5	Trust of BSR (TR) has significant influence on Organizational Culture (CU).	Supported
	Hypotheses 6	
6	Perceived Ethics (PE) has significant influence on Organizational Culture (CU).	Supported
	Hypotheses 7	
7	Organizational Culture (CU) has significant influence on Organizational Performance (OP).	Supported
	Hypotheses 8	
8	Organizational Culture (CU) significantly mediates the relationships between Commitment to BSR (CM) and Organizational Performance (OP).	Supported
	Hypotheses 9	
9	Organizational Culture (CU) significantly mediates the relationships between Trust of BRS (TR) and Organizational Performance (OP).	Supported
	Hypotheses 10	
10	Organizational Culture (CU) significantly mediates the relationships between Perceived Ethics (PE) and Organizational Performance (OP).	Supported

4.20 Discussion of Findings

4.20.1 Introduction

This study empirically assessed a structural model on the relationships between Commitment, Trust and Perceived Ethics, and Performance with the mediating effect of Organizational Culture. The behavior, perception and attitude of managers/owners of the small scale industry in Nigeria were the sources of information for testing the various hypotheses and model involved in the study. These lead to the attainment of the research objectives. The findings are discussed based on the research objectives, which were hypotheses in line with the research questions that were earlier developed from the problem statement. As presumed, the initial data did not fit the measurement model due some indicators not really measuring their respective variables; because low factor loadings. However, after deleting the items that were below the benchmark factor loadings, the remaining data/factor became reasonable and fit the model better.

4.20.2 Direct Paths

1a. Relationship between commitments to Business Social Responsibility on SMEs performance in Nigeria

The first objective of this study is to examine the relationship between commitments to BSR on SMEs performance in Nigeria. In order to achieve this objective the hypothesis which predicted a positive relationship between commitment and performance was assessed in line with PLS output. Based on the result it was found that there was no significant relationship between the two constructs (commitment

and performance). This finding is concurs with Hunt and Vitell, (2006); Randall (1987); and Swailes, (2002) who found negative effects of strong organizational commitment (Hunt & Vitell, 2006; Randall, 1987; Swailes, 2002) and also consistent with other findings (Gorondutse & Hilman, 2013d). For example, Randall (1987) argues that high levels of organizational commitment may have negative effects both on persons and organizational performance in the form of reduced creativity and struggle to change. The lack of significant relationship between commitment and performance in this study could possibly be as due to commitment to social responsibility being regarded as significant by the small scale industry in Nigeria.

1b. Relationship between trust of business social responsibility on SMEs performance in Nigeria

This objective is to identify the relationship between trust and performance. The second direct hypothesis, which states that, “trust is positively related to performance of the small scale industry in Nigeria, was also tested using PLS output path analysis. The result revealed that there is a significant positive association between trust and performance in the Nigerian small scale industry. Trust which involves keeping and fulfilling promise and accomplishing obligations is positively associated with performance. The implication of this finding is that if an organization tends to keep promises and fulfills obligations related to BSR this will likely lead to a favorable performance. Similarly, trust associated with performance as the level of competencies, openness and goodwill of the trustee, and also with her non-opportunistic principles. In addition, managers have an opportunity to uses these

finding while simultaneously planning their strategic objectives and making contributions to society. This will be more successful in influencing other stakeholders such as employees and the government to prioritize trust of BSR which consequentially can lead to overall performance of an organization. The result of this hypothesis is in line with findings of numerous researchers (e.g. Chaudhuri & Holbrook, 2001; Garbarino & Johnson 1999; Hilman & Gorondutse, 2013b; Morh & Puck, 2013; Sirdeshmukh *et al.*, 2002; Perrini *et al.*, 2010; & Pivato *et al.*, 2008). In addition, Jones (1995) found that continued connections with stakeholders should be based on trust and cooperation since such actions are beneficial to business.

1c. Relationship between Perceived Ethics on SMEs Performance in Nigeria

Another significant objective of this study is to examine the relationship between perceived ethics and performance in the small scale industry in Nigeria. In order to achieve this objective, Hypothesis 3, which states that, “there is a significant relationship between perceived ethics and performance with regards to the Nigerian small scale industry”, equally this was tested using PLS output analysis. The statistically results recommend that there is a reasonably significant relationship between perceived ethics and performance. The implication of this finding is that the more the small scale industry perceives ethics and social responsibility the more positive the performance they have. And the more the small scale industry perceives BSR programs the more likely it is to enhance firm performances. This finding is consistent with previous results (Curras- Perez *et al.*, 2006; Berrone *et al.*, 2007; Hilman & Gorondutse, 2013b; Jin, Drozdenko & Deloughy, 2013; Sen &

Bhattacharga, 2001; Singhapakd *et al.* 1995; Taylor, 1987; Tian *et al.*, 2011; Torugsa, 2012; & Valentine & Fleischman, 2008). In these studies, it was found that there is a significant relationship between perceived ethics and performance. In addition, in his survey on perceived ethics construct in US, Hansen *et al.* (2011) found that perceived ethics has a positive and significant relationship on with performance and turnover.

2a. Influence of Commitment on Organizational Culture in Nigerian SMEs

The influence of commitment on organizational culture is another objective of this study. Thus, the fourth hypothesis relationship between commitment and organizational culture was tested using PLS output, and consequently accepted based on the statistically results. It was found that commitment significantly influenced organizational culture. Moreover, the statistical association between the two constructs is positive. Thus, the higher the levels of commitment to social responsibility practices in an organization, the more likely it is to have a favorable organizational culture. Further, the finding suggests that organizations that have a positive commitment to social issues would most likely manifest it in their organizational culture. Interestingly, this finding corroborates several other previous studies, such as Ahmad *et al.* (2011); and Denison, (1996) who found that commitment has a positive effect on organizational culture.

2b. Relationship between Trusts of BSR on Organizational Culture in Nigerian SMEs

Examining the relationship between trust and organizational culture is another key objective of this research. Thus, Hypothesis five, which states that "Trust of BSR has positive relationship with Organizational culture in the Nigerian small scale industry", was empirically tested using PLS path coefficient analysis. The finding revealed that there is a positive relationship between trust and organizational culture. This result is consistent with Fard *et al.* (2013); Ghanat (2010) and Sadeghi (2011). This finding suggests that the more the small scale industry engages in keeping promises and fulfilling obligation on social issues, the more likely it would be manifested in their organizational culture. This finding corroborates the findings by Fard *et al.* (2013) and several other studies which reveal a positive correlation between trust and organizational culture.

2c. Relationship between perceived ethics on organizational culture in Nigerian SMEs

The sixth objective of this study is to examine the relationship between perceived on organizational culture in Nigerian small scale industry. In order to achieve this objective the hypothesis which predicted a positive relationship between perceived ethics and organizational culture was assessed in line with PLS output. Based on the result it was found that there is a significant relationship between the two constructs (perceived ethics and organizational culture). This finding is consistent with that of Berrone *et al.* (2007); and Vitell *et al.* (1993). In addition, the statistical relationship between the two constructs is positive. Thus, the more the small scale industry perceives ethics and social responsibility the more likely it would be manifest in

their organizational culture. This is similar to a conclusion drawn by Brinkman (1999) that ethics has a guiding function that helps to know which actions are well best the organization personality.

3. Relationship between Organizational Cultures on SMEs Performance in Nigeria

The relationship between organizational cultures on performance is another objective of this study. Thus, the seventh hypothesis that captures this relationship was tested using PLS path coefficient analysis, and was subsequently accepted in line with statistical results. It was found organizational culture significantly influence small scale performance.

In addition the statistical relationship between the two constructs is positive. Thus, the higher the organizational culture is, the more likely it is to increase performance. Gray, Owen & Adams, (1996) state that firms can only keep on existing if societies in which they are based perceive the organization to be working to a value system which is matches with society's own value system. Interestingly, the relationship between organizational culture and performance is far stronger than the relationship between any other sets of constructs in the study ($\beta = 0.633734$, $t = 13.995979$, $p = 0.001$) which has higher statistical power. Therefore, this study clearly contributes in understanding of the relationship of organizational culture and performance. This is of great value to small scale industries in Nigeria; this relationship has must be considered in strategic planning and decision making in order to developed

comprehensive understanding of organizational performance. In addition, this result is consistent with Al- bahussin & El- garaihy, (2013); Alishah *et al.* (2011); Daft (2005); Galbreath (2010); Larry *et al.* (2011) and Rashid *et al.* (2003) who reveal a positive association between organizational culture and performance.

The above sections, discussed the direct effects of the exogenous variables (commitment, trust and perceived ethics) on performance and organizational culture, as well as the direct effects of organizational culture on performance. The subsequent, sections discuss the mediating effects; i.e. the role of organizational culture on the relationship between the three exogenous variables (commitment, trust and perceived ethics) and performance.

4.20.3 Mediating Effects of Organizational Culture

In this section, three hypotheses (H8a, H8b, H8c) concerning mediating effects of organizational culture on the relationship between the three exogenous variables (commitment, trust and perceived ethics) and performance variable were tested. The results of mediation effect established that all the three hypotheses (H8a, H8b, and H8c) are found to be significant. The next section discusses the results in detail.

4.20.3.1 Significant Mediation Effects

The result of this section identifies that three hypotheses (H8a, H8b, H8c) are found to be significant. Specifically, significant relationships were found between (1) commitment and performance; (2) trust and performance; and (3) perceived ethics and performance. Hypotheses (H8a) state that “organizational culture mediates the relationship between commitment and small scale industry performance in Nigeria.” The results from PLS coefficient path output reveals that organizational culture have a significant mediation influence on the association under examination. This implies that organizational culture influence SMEs to commit to social responsibility and consequences of such actions bolster performance. Hypothesis (H8b) states that “organizational culture mediates the relationship between trust and small scale industry performance in Nigeria.” Results from the PLS output analysis exhibit that organizational culture has a significant mediation influence on the relationship in question. Statistic shows that organizational culture has a significant mediating effect on the causal path between trust and performance. This implies that when organizational culture is high, the relationship between trust and performance will also be statistically significant.

Hypothesis (H8c) state that “organizational culture mediates the relationship between perceives ethics and SMEs performance in Nigeria. Results from PLS path coefficient analysis shows that organizational culture has a significant mediation effect on the relationship under examination. This finding implies causal relationship between perceived ethics and performance is stronger statistically than others with

larger beta value and t-value. In addition, the mediation effects of organizational culture on the relationship between trust, and perceived ethics were positively and significantly validated.

This is due to the fact that results concerning the mediating effects represent the major contributions for this study; the questions of why and how mediation of organizational culture take place could be answered by theoretical explications rather than past studies. For that reason, significant theories including stakeholder theory (Freeman, 1984) and legitimacy theory (Gray *et al.*, 1996) have provided theoretical bases for the new findings.

To begin with, under the stakeholder theory (Freeman, 1984), the present mediation results are supported in the sense that the main thesis of the theory is that management should get used to their policies on committed to social issues, and acknowledge that the business has the responsibility to all stakeholders, who stand to gain or lose as a result of the firm's activities (Freeman, 1984; Glautier & Underdown, 2000). Stakeholder theory recognizes the need to be responsive on the demand of members of the public who will be affected by company (Hess, 1999).

Furthermore, the stakeholder theory clearly explains vividly the relationship associated with different society around the business. The substantial effect of

Freemans stakeholder theory state that business need to concern about the interest of society that is been affected by firms, stakeholders are those public whose organizations have interdependencies and who can influence or is affected by decisions, rules, actions of business (Carroll, 1993; Gibson, 2000). Consistent with this theory, Ahmad and Ramayah (2012) point out that “good ethics is good for business” and therefore, ethical and social responsibility programs and actions would have a significant effect on performance. Inability to commit such ethical practices will likely have a major implication for the business.

Bishop (1992) found that display of ethics and BSR by small firms may influence the wider business activities, the environment will improve in terms of normal behavior and integrity in business. Jones (1995) argued that businesses which have frequent dealings with stakeholders on the basis of trust and cooperation are motivated to be honest and ethical, since such behavior is advantageous to business (Jones, 1995).

The Legitimacy Theory by Gray, Owen & Adams, (1996) states that the basic assertion underpinning this theory is that firms can only keep on existing if societies in which they are based perceive the organization to be working to a value system which matches society’s own. Therefore, legitimacy theory rests on the concepts that businesses have contracts with society, thus satisfying the agreements which will legitimizes the organization and its action (Gray *et al.*, 1996). In addition, in order to be acting ethically, businesses and their managers must look at designing and

maintaining an ethical culture (Sims, 1991; Wood, 2002); maintaining an ethical culture does not happen singularly, it must be incorporated into all aspects of the firm's activities (Sims, 1991; Wood, 2002).

Similarly, BSR actions are seen as a vital in the sense that consumer, society, and business associations could enhance positive performance, and to a large extent promote social unity based on trust, high opinion and truthfulness. Finally, consistent with the stakeholder theory (Freeman, 1984) and legitimacy theory (Gray *et al.*, 1996), it is found that all the three exogenous variable (commitment, trust and perceived ethics) significantly influence performance through organizational culture. Organizational culture is found to have a mediating effect on all three hypothesized meditational relationships as follows: (1) commitment and performance; (2) trust and performance; and (3) perceived ethics and performance.

4.21 Summary

This chapter provides an overview of the data collected, profiles of respondents and statistical results including descriptive statistics of the main constructs involved in the study. This chapter presents the empirical results and hypotheses of the study. The findings from the data collected show support for the hypotheses, based on the measurement and structural models. Generally, the BSR variables are related to performance. Mediation analysis was carried out using PLS Bootstrap to determine the mediating effect of organizational culture on performance. The statistical results

indicate support for the mediation. The results are based on PLS output, and findings are also compared to the results of relevant prior studies.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATION

5. 1 Introduction

This chapter concludes the results of the data analysis from the previous chapter. It reviews the major findings, theoretical and managerial implications, limitations of the study and presents suggestions for future research.

5.2 Summary of the Study

The broad objective of this study is to examine the effect of some aspects of BSR on SMEs Performance in Nigeria. In recent years, there are numerous calls in the literature to examine the practices of BSR in SMEs. The literature review in chapter 2 demonstrated that there are consistent results on the relationships between BSR and performance. The conceptual framework in chapter 3 describes the study which focuses on the relationship of three BSR components (Commitment, Trust and Perceived Ethics) and Performance with the mediating effect of Organizational Culture. The conceptual framework is explained by the stakeholder theory and supported by the legitimacy theory. The next sections recapitulate the results of the statistical tests done on the hypothesized relationships.

5.3 Recapitulation of the Study Key Findings

The study examined the relationship of commitment, trust and perceived ethics on performance with the mediating effects of organizational culture. A seven – point scale Likert-type adapted from different sources was used after testing its reliability and validity. A pilot test was conducted with a sample of 70 respondents in order to test the psychometric properties of the instrument. The results of the pilot test confirmed that the instrument is reliable and valid. After the main data collection, CFA and measurement model were conducted to test the constructs using SmartPLS software 2.0 m3. Subsequent to deleting some items, both the measurement model and structural model were established to sufficiently fit the data.

The multivariate data analysis and hypothesis testing using PLS output the main finding is summarized as follows:

Commitment to social responsibility was found to have no statistical significant relationship with performance, given that commitment represents the process which organization is loyal to implement and executes of ethics programs, this finding imply that the Nigerian SMEs have low commitment on how issues of social responsibility is practiced and executed to the numerous stakeholders within the society, and managers that have low statistical levels of commitment, this may likely have an effect on attitudes and performance of the whole organization. In addition, this finding indicates SMEs in Nigeria should look back to their strategic planning decision and inculcate commitment to social responsibility which can influence the overall performance of the business.

Secondly, it was found that trust has a significant positive relationship with performance in Nigerian SMEs. This finding implies that Nigerian SMEs attach more significance to keeping and fulfilling promises to numerous stakeholders on the issues related to BSR. In addition, given that the association between trust and performance is positive, this indicates that if a SMEs continuous keeping promises and fulfills stakeholder with social behavior, then they may likely have a more positive effect on performance. Managers have the opportunity to relate this finding and priorities in their strategic planning decisions which can influence the overall performances of the SMEs in Nigerian context.

Thirdly, perceived ethics was found to have a significant positive relationship with performance in the Nigerian SMEs. As mentioned earlier, perceived ethics has to do with perception on the ethical issues. The finding indicates that the perception of ethical behavior by SMEs has a positive significant effect on performance. Since the association between the constructs is positive, it means that a favorable ethics leads to a positive performance. In addition, the study concludes that the more organizations perceive social responsibility, the more the tendencies for their performance to be enhanced. Hence, SMEs in Nigeria should focus on ethics and social responsibility in planning strategic decisions which can increase overall performance.

Fourthly, the study found that the commitment has a significant positive association with organizational culture. The commitment of SMEs go a long way in determining the organizational culture in Nigeria. Therefore, if small scale industries perceive that commitment is high, then they are more likely to practice a positive organizational culture. In addition, since the relationship between the two constructs is positive, the higher the perception of commitment to social responsibility by SMEs the higher would be their positive organizational culture and vice-versa. Managers need to understand commitment and appropriate culture in the organizations to enhance performance. This study therefore has shown the important relationship of this variable in an organizational setting particularly SMEs in Nigeria; the management should continue having this causal relationship so as to enhance overall performance of the organization.

Fifthly, trust which basically indicates perception of keeping and fulfilling promises BSR was found to have a significant relationship with organizational culture. Hence, this finding implies that keeping promises by Nigerian SMEs influence them to behave social responsibly. Equally, since the association between this two constructs is positive, this means that a positive trust leads to a favorable organizational culture. In addition, the study confirmed that a trust of BSR plays an important role in developing organizational culture towards success achieves specifically by fulfilling promises to stakeholders.

Sixthly, the study found that perceived ethics has a significant positive relationship with organizational culture. The perceived ethics of SMEs go a long way in influencing organizational culture. If SMEs perceive ethics is high, then they are more likely to practice a positive organizational culture and responsible behavior, meaning that if small scale industries perceive ethics, this may likely influence their culture and values of an organization toward social responsibility. Organizational culture is a good way to elicit better ethical behavior in an organization. In addition, since the association between this construct is positive, it means that the higher the perceived ethics by SMEs the higher would be their practice of organizational culture towards social issues.

Another significant finding is that organizational culture has a significant positive association with performance. This means that SMEs that practice a positive the organizational culture towards ethical issues, would eventually be more likely to have a better performance. Thus, if SMEs for one reasons or the other have a higher positive organizational culture, this would eventually lead to higher performance. In addition, SMEs in Nigeria has to recognize that organizational culture plays a vital role in promoting organizational success and this could only be achieve by executing a desired culture which can shaped values, attitude's and behavior. This could lead to a superior performance. Furthermore, in pursuant of this objective the quality criteria output of SmartPLS 2.0 m3 (Ringle *et al.*, 2005) was used and it was discovered that BSR components (commitments, trust and perceived ethics) together explained 39% varaiance in the performance. This implies that if small SMEs in Nigeria

comprehensively implement the BSR components, it will immensely contribute to their performance and statistically indicate that the model is strong (Cohen, 1988).

Finally, it was found that organizational culture has a significant mediating effect on the relationship between commitment and performance. Further analysis revealed that the organizational culture has significant mediating effect on the relationship between trust and performance. In addition, mediating effect of organizational culture on the relationship between perceived ethics and performance indicates strong mediation effect than any other construct in this study. The results of this mediation are in line with the underpinning theory of this study, i. e the Stakeholder Theory and the Legitimacy Theory) which postulate that management should tailor their policy towards satisfying numerous stakeholder not only shareholders which can lead to an increase in organizational performance. Businesses should take steps to make sure that their actions and performance are up to standard.

5.4 Theoretical Contribution

In general, this study found empirical evidence for theoretical relationships posited in the research framework. There are seven main direct hypotheses and three indirect hypotheses, the theoretical contribution of the study are as follows.

Earlier researches on the association between BSR and firms performance revealed consistent finding (e.g., Beneke *et al.*, 2012; Berrone *et al.*, 2007; Fang *et al.*, 2010; Margolis, Elfenbein & Walsh, 2008; Peloza & Papania, 2008; Perrini & Castaldo, 2008; Pivato *et al.*, 2008). Egri & Ralston, (2008); Lee, (2008) and Rettab, Brik & Mellahi, (2009) say that there is a large disparity in research on BSR and performance between large firms and smaller businesses; also, most of the previous research has been in the developed nations. Fang, Huang, & Stepheanie, (2010); and Herndon, Fraedrich & Jen-yeh (2001) suggested capturing organizational culture could provide a better explanation on relationships between BSR and performance.

Therefore, inclusion of organizational culture and also examining the causal relationship between BSR and performance is likely to contribute to the body of knowledge. To this end, the study's outcomes confirm that there is a causal positive association between BSR (commitment, trust, and perceived ethics) and organizational culture and also between organizational culture and performance. In line with this, it could be said that this study empirically validates the recommendation by Fang, Huang, & Stepheanie, (2010); and Herndon, Fraedrich & Jen-yeh (2001) that organizational culture might have a significant effect on the association between BSR and performance.

Furthermore, virtually all of previous studies that examined the mediating effect on the relationship between BSR and performance discovered some of them were partially mediated (e.g., Perceived ethics by Stanaland, Lwin & Murphy, 2011; Organizational trust by Hansen, Dunford, Boss, Wayne & Angermeier, 2011). However, Hansen *et al.*, (2011) suggested that other potential mediating mechanisms should be investigated. Knowing that conceptual linkages in this study is new and the tendency to study a combination of these variables in one research framework issue is relatively new, this is expected to make significant contribution to the body of knowledge (Garlbreth, 2010; Lee, 2008).

This research established that the organizational culture significantly mediates the causal relationship between commitment, trust and perceived ethics, and performance. The finding also confirms due awareness of social behavior by Nigerian SMEs; this attitude has leads to organizational culture having a mediating effect on performance. To this end, this study hopes to have significantly contributed to management theory (e.g., Stakeholder theory).

Most research on BSR and performance relationship has been on large organizations and it could be argued that SMEs have been given less attention (Lee, 2008). Thus, Cochet and Chi, (2012); Lee, (2008); and Spence, (2007) suggest that studies should re-focus on sector other than larger firms. Based on this, it could be argued that this

research filled the observed sector gap. Hence, this is also a significant contribution to the theory.

Lastly, review of past literature on BSR and performance relationship suggest that the vast majority of research was examines in Western Nations, (e.g., the US, and Europe), thereby neglecting Eastern Europe, Latin America, Africa and Asia (Chapple & Moon, 2005; Egri & Ralston, 2008). Thus, Oh and Park (1997) suggest that it is necessary to refine the theories and methodology to be appropriate to specific circumstances and environment. Therefore, locating this study in Nigeria, Africa, is hoped would go a long way to uplif the profile of African based research in the area explored.

5.5 Methodological Contribution

A part from the above- mentioned theoretical contributions, this study attempted to significantly contribute methodologically. Taneja, Taneja and Gupta, (2012) in their research reviews on BSR in international academic journals from 1970-2008, suggest that most of the BSR researches are qualitative rather than quantitative and are mostly concerned with the environmental issues rather than ethics culture or commitment to being ethical. Hence conducting quantitative research contributes to the methodology. In addition, the measurement scales used in this study have been adapted from various sources as highlighted in the previous section. There was a need to cross- validate the measurement scale in order to confirm its validity and

reliability. Cronbach's alpha reliability, composite reliability, convergent validity and discriminant validity were all examined and found to be above the minimum yardstick in all cases; this can be argued contributing methodologically.

Similarly, CFA and measurement model were also examined to test the unidimensionality of the variables. Hence, the study contributes methodologically by empirically establishing the reliability and validity of the adapted scales in the context of the SMEs in Nigeria. The PLS confirmatory and validation processes of the measurements for this study represent methodological contributions to the literature on commitment, trust, perceived ethics, organizational culture and performance by providing additional validation about the constructs in a new - methodological perspective.

Finally, the present study also established BSR related variables, whereby to the knowledge of the researcher, combinations of this variable in one framework as in this study are new. All variables were drawn from different sources thereby minimizing the problem of common method bias (Padsakoff *et al.*, 2003). This has gone a long way in ensuring significant methodological contribution.

Previous BSR and performance studies have employed the use of analytical tools including the SPSS and SEM AMOS to produce results (Ahmad & Ramayah, 2012; Berrone *et al.*, 2007; Brik *et al.*, 2011; Hansen *et al.*, 2011; Hsu, 2011). This study explored a relatively new tool of analysis (i.e., PLS) to explain the structural relationship of the constructs of this study. The PLS tool is a general model that comprises principal component techniques, canonical correlation, multiple regressions, and multivariate analysis of variance among others. Hence, the present study's use of this relatively new tool of analysis has some important methodological implications.

5.6 Managerial and Policy Implications

The results of this research can help practitioners to understand and present adequate indication for confirming a significant causal relationship among six major constructs and three constructs mediating three causal paths each. The findings were drawn based on the statistical results, and the practical recommendations were, in turn, derived logically from the findings. Managers/owners are provided with practical recommendations in order to have more insight regarding the implication of their commitment to social responsibility, trust, perceived ethics and organizational culture vis-a-vis performance.

Therefore, the study provides empirical evidence that trust of BSR is significantly related to performance. This implies that managers/owners of SMEs should be more concerned about keeping and fulfilling promises on the issues of social responsibility to their stakeholders. This contrasts with the commitment, which was found to be not significantly related to performance in Nigerian SMEs. Therefore, in line with this, policy maker should emphasis more on “what” is delivered to stakeholders rather than “how” or the process of delivery. Managers/owners should ensure that social responsibility behaviors given to stakeholders are continuous, good enough and in fact, tremendous. This would most likely improve their performance.

Additionally, perceived ethics was found to have a significant positive causal effect on performance. The implication of this is that the more managers/owners perceive that they receive benefits comparable to the resources they spend on social behavior, the more they continue to practice it, and this is consistent with Husted, (2005) who explains that BSR may be viewed as real options. Again, this implies that policy makers should provide an appropriate way that stakeholders can perceive greater benefits than sacrifices they make to SMEs. Policy makers should also view the issues of ethical and social behavior through the lens of smaller firms as a means of creating viable benefit. Hatten (2006) argues that ethical and social behaviors in smaller firms should go hand-in-hand with the strategic planning of the organizations. Therefore, policy makers should try to make it possible for stakeholders to accomplished and receive social behaviors with less effort and in the shortest possible time.

In line with statistical findings, it has been established that there is a causal positive relationship between commitment and organizational culture, this implies that the more organization have organizational culture in relation to BSR, the more would their commitment to social behavior be favorable and vice-versa. In addition, conversely, if the organizational culture is perceived to be negative in relation to social actions, then the commitment consequently will be negative. Therefore, it is necessary for policy makers to strive hard to gain positive and ethical organizational culture in dealings with numerous stakeholders. A positive organizational culture could enhance commitment to BSR.

Based on the empirical results, it has been confirmed that there is a causal positive association between trust and organizational culture. This implies that the more SMEs engage in keeping promises and fulfilling obligations on social issues; the more likely would manifest in their organizational culture. On the other hand, if SMEs organizational culture is perceived to be negative; consequently trust of BSR could also be negative. Hence, policy makers should note that adhering to BSR initiatives can be a safety net to safeguard and defend industries from unforeseen negatives actions (Fombrun *et al.*, 2000; Hsu, 2012).

From empirical findings, it has been discovered that perceived ethics has a significant positive causal effect on organizational culture. The implication of this is that the more managers/owners of SMEs in Nigeria perceived ethics the more likely

this will be manifested in their organizational culture. This implies that policy makers should inculcate and understand what SMEs are doing in reality by means of social behaviors, and this will give them direction to solving challenging pattern that constrain environmental practices.

The results from this study reveal the significant causal relationship between organizational culture and performance. This implies that managers/owners and policy makers should be more concerned about the organizational culture (i.e., ethical culture). Put differently, managers/owners and policy makers should ensure that the organizational culture suits the social behavior which could lead to a favorable performance. Based on this, managers/owners and policy maker should make sure that organizational culture in an organizations is acceptable to stakeholders. This would most likely improve performance.

The empirical finding has established that organizational culture positively affects the relationship between commitment, trust and perceived ethics, on the one part and performance on the other. This finding further suggests that the effect of organizational culture is stronger on the relationship of perceived ethics and performance. In line with this, policy makers should strategies their ethics programmes in such way that stakeholders will recieved high social behavior and the result will leads performance of SMEs.

Finally, manager/owners and policy makers should simultaneously try to enhance the perceptions of stakeholders with respect to commitment to BSR, trust of BSR and perceived ethics of SMEs. In this way, manager/owners and policy makers can enhance training programs on ethics and social responsibility which could educate employees, and put in the strategic planning of the organization; this could be of enormous importance.

Balmer, Fukukawa, & Gray (2007); and Hansen *et al.* (2011) suggest that organizations engaged in BSR initiatives should not limit such actions to external stakeholders only but also to employees to encourage positive BSR perceptions, linking them directly in the planning and execution of BSR actions. This will go a long way in reducing the perception that BSR actions are insincere (Sneider, Hill & Martin, 2003; Hansen *et al.*, 2011), and subsequently improve trust, and better association within the organization.

5.7 Limitations of the Study

Even though, a number of contributions have been made by this study concerning the managers/owners of the SMEs in Nigeria, like any other research of this nature there are also numerous limitations that need to be noted and addressed.

The cross-sectional collection of data was used instead of the longitudinal approach in which data collection covers a long period. Therefore, the concern for using the cross-sectional approach is that the constructs under examination like commitment, trust, perceived ethics, organizational culture and performance – could most -likely change over time. Moreover, a change in the economic trends could also result in a change in the constructs of this research. Nevertheless, due to the nature of research like this, which is expected to be completed within three years, a longer time frame for data collection (longitudinal) is not feasible.

Complexity in getting a sampling frame is considered as one of the major methodological limitations faced in this research. Given that the study is conducted on the SMEs in Kano state Nigeria, Corporate Affairs Commission (CAC) a body that is in charge of registration of businesses in Nigeria did not release the list due to reasons of confidentiality and bureaucratic process in Nigeria. It posed a limitation on the sampling technique of the research. Conversely, inability to have the sampling frame is a common limitation face by this research that concerned Manager/owners as the unit of analysis. In line with above, Babbie (1990) suggest that social science research requires the selection of a sample from the population that is easily available, which necessitates the design and carrying out of a suitable sampling approach. An attempt was made to overcome this constraint by trying to randomize and dubling the sampling choice.

Even though, this study did not aim to compare the managers/owners from different regions in Nigeria, there could be some differences among the managers/owners from different geographical locations. However, given that SMEs are homogenous and that the resources available are limited, focusing on one geographical region is an appropriate and economic option. Additionally, the study focuses only on Small Scale Industries in Nigeria. Hence, other categorises of SMEs, like Small and Medium Industries (SMI); and Small Scale Enterprises (SSE), which operate in a slightly different way from Small Scale Industries were, not examined in this study. Consequently, the findings could only be generalized to SMEs.

Similarly, this study only employed the self-reporting method to collect the needed data on the mediating role of organizational culture on the relationship between BSR (commitment, trust and perceived ethics) and performance. Although this method is consistent with previous BSR studies (e.g., (Ahmad & Ramayah, 2012), some researchers are doubtful of the reliability of the measure because of possible rater's bias. Despite the fear of bias, manager/owners remains the most effective and reliable mechanism to assess management behavior especially in SMEs.

In order to safeguard against the problems in this study, some measures were taken at the data collection stage to alleviate the expected problem. Podsakoff *et al.* (2003) suggest that in order to alleviate common-method bias, data for analysis of constructs under study should be collected at different times. Accordingly, though

questions regarding BSR (commitment, trust and perceived ethics), organizational culture and performance were combined in a single questionnaire, questions regarding each construct were provided separately, and participants were told to do their ratings/answer the questions at three different times. This research design ensures that common method bias is not completely responsible for the current findings. Thus, methodological chose strengthening this study, which should not be the problem.

Furthermore, the mediating variables involved in the study were selected based on the suggestions in the literature and based on the practical issues, it is expected that other variables such as corporate reputation and perceived ethics could also mediate the relationships among the constructs under examination.

5.8 Recommendations for Future Research

In line with the above limitations highlighted in the previous section, recommendations and suggestions for future studies are provided. Owing to the difference on grounds of geographical locations, it is recommended that future researchers should conduct a national survey and compare the managers/owner's responses among different geographical regions in Nigeria. How BSR is set in social and economic system may also be different across cultures and social structures, therefore, the proposed model can be tested with sample western frames.

In order to avoid the challenge of unavailability of a sample frame, future researchers can conduct a similar study in another sector where the list of SMEs is readily available. Besides SMEs through on the Corporate Affairs Commission (CAC) list are not generally released due to privacy. Other sectors would be more likely to be provided. Future research should adopt a longitudinal design where data is collected over a significantly long period. By this, the effect of any long term economic or other external factors on the constructs under examination would be discovered. Adopting this approach would reveal economic trends and possible influence on the perception of managers/owners.

The indications are that other variables different from the ones used as a mediating construct in this study could also mediate the constructs explored in this study. Thus, it is recommended that future research should examine the mediating influence of corporate reputation and perceived ethics with regards, to the variables used in this analysis.

Future research should combine both self-reporting and supervisor rating. In addition, given the significance of research on the influence of BSR initiatives on stakeholders (e.g., employees) future research should explored SMEs employee reactions to BSR and related organizational activities. Researchers may consider exploring how SMEs perceive and practices their BSR by using or including other

method like interviews, content analysis of companies' website reporting, or companies' annual reports in order to triangulate the findings.

5.9 Conclusion

Management is faced with increasing demands to address the issues of social responsibility and expectation of diverse stakeholder groups. Based on the previous research findings, the conclusions of this study are as follows:

Trust and perceived ethics have a significant positive causal association with performance. Surprisingly, however, commitment has no significant association with performance in the context of Nigerian SMEs.

Similarly, commitment, trust and perceived ethics have a significant positive relationship with organizational culture at the same time, organizational culture is related to performance. The study has also provided empirical evidence of a significant relationship between BSR and organizational culture. In addition, the present study has contributed to the body of knowledge by providing empirical evidence about the mediating influence of organizational culture on the relationship between BSR (commitment, trust and perceived ethics) and performance. Importantly, using a newer context (Nigeria) and setting SMEs, BSR initiatives may be viewed as important in continuing and improving business performance.

The conceptual model of this research was developed from the extant literature, which covers the key constructs, such as commitment, trust, perceived ethics, organizational culture and performance. Consequently, attempt was made in the previous chapter to relate the constructs in the conceptual model to those in the underpinning theories (stakeholder and legitimacy theories). In addition, the findings of the study show that the conceptual model, which is in line with the theories sufficiently, fits the empirical data. Therefore, it could be concluded that the result of the study validates the underpinning theories used.

Finally, this study sets the stage for further examination of BSR actions in SMEs. Practitioners should note that BSR and profit making are not contradictory, and they can go together be it large or small amount. BSR behavior in day to day activities should be practiced. On a last note, it is hoped that this study will help throw some light on the significance of BSR initiatives and how they can benefit the organization. In addition, from the perspective of SMEs the findings should assist manager/owners in launching BSR policies that can potentially assist the firm in totality to improve the level of their performance.

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